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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2319

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27 September 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2319

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LOWER INTERFLUG FARES SEEN LURING WESTERN COUNTRIES

Bonn DIE WELT in German 30 Jul 82 p 3

[Article by Hans-R. Karutz, Berlin: "The 'GDR' Tempts With Price Dumping-- Western Vacationers Drifting Over to Schoenefeld-- Soon No Vacation Flights From Tegel Anymore?"]

[Text] The red lettering "Interflug" encircled by a sweeping jet symbol supplemented with "German Democratic Republic" lies like a shadow over air traffic in Berlin. The announcement of nonstop flights between East Berlin and the vacation paradise of the Canary Islands alarmed the Senat, the Allies and the Foreign Office. Schoenefeld, a stone's throw from the West Berlin city limits at the southern edge of East Berlin, even now transports every second Turkish guest worker on his flight home. Of all flights in Greece 65 percent go via East Berlin. "Perhaps by next summer, Mallorca is already in the hands of 'Interflug'," a West Berlin air traffic expert fears. The stated owned "Interflug"--only in 1963 did they relinquish the name "German Lufthansa", after losing a suit in court--managed during the last 10 years to "land" successfully with West Berlin tour operators.

It started with a few outsider "sharks" who tested the East Berlin offers in the market of travel-happy Berliners. The argument that several hundred D-marks in savings were not to be sneezed at despite the extra effort to get to East Berlin's government[-run] airport, caught on. Then the large established enterprises followed suit. In a newspaper interview, the business manager of the biggest travel agency ("Berliner Flugring"), Horst Brookmann, announced: "We, also, must get into business deals with the GDR, or else we cannot survive. We cannot assume that Berlin vacationers, despite the price differences, prefer to fly from Tegel rather than from Schoenefeld."

A year ago this unpatriotic attitude, but understandable in times of tight money, had brought to the fore the new senator for economy, Elmar Pieroth (CDU): "I am happy about every D-mark that Berlin families can save during their vacations. But sooner or later, Berliners will have to pay the piper, because in the long term, Schoenefeld cannot continue air traffic against the laws of the marketplace."

This warning by the air traffic senator--his predecessor, Guido Brunner, now ambassador to Madrid, is conducting difficult negotiations with the [Spanish] government to prevent "Interflug" landings--fell on deaf ears.

The figures speak for themselves:

--In the first 6 months of 1982, the number of charter passengers flying from Tegel dropped by 8.1 percent to 258,787 Berliners. Just how lucrative the market of travel-happy Berliners is can easily be computed if one assumes a package tour of DM 500 per air passenger. Several hundred million DM are involved.

--"Interflug" has six weekly flights to Athens during the summer, and also flies to Crete and to the flower island of Rhodos. A visit to the Acropolis--round trip--can be had for DM 299. With this pricing policy, the "GDR" airline captured 65 percent of the total travel market to Greece.

--In West Berlin alone, 33 agencies and travel bureaus sell the flight tickets, at varying rates, of this state-owned airline which does not belong to the IATA family. Ten years ago, there was only one sales outlet.

--With the exception of a short interruption at night, buses of the East Berlin BVG [Berlin Transportation Company], commissioned by "Interflug", shuttle between Schoenefeld and the West Berlin bus station at the foot of the communications tower. They run at 30-minute intervals for 5 DM (children 3 DM) including luggage--with the silent approval of the Senat.

Especially the so-called "backpack tourist," who pinches every penny, is not put off by the awkward entry procedure. One "interflug" passenger gives this description: "Since there is a so-called check-in time of at least 1 hour before flight departure, one has to start out pretty early in West Berlin to catch the suitable shuttle bus. Upon entry, passports and passenger cards must be presented four times. Often it is a matter of a total of 3 hours between departure from home in West Berlin to flight departure in Schoenefeld." At Tegel, it is sufficient to be at the ticket counter 15 minutes (regular flights) or 45 minutes (charter flights) [before departure].

The price level of the airline, subsidized with large sums from the "GDR" budget, has proved disastrous for many an ex-refugee: because in contrast to the transit between the two Germanys, which even escaped "GDR" citizens can largely use without danger, these branch transit routes to so-called third countries are not protected.

Repeat passengers of "Interflug" who travel to the Eastern bloc in the course of business, call the service "a bit skimpy, but the story of the sandwiches which the personnel must prepare themselves, is of course nonsense. Everything seems a little less polished--from the uniforms to the stewardesses' makeup."

The computation is still a puzzle: in 1980, the VEB air traffic cancelled all domestic flights--costs were too high. East Berlin decreed to bring in hard currency through flying.

The supposedly "bogus Western exchange rate" between D-mark and East German mark, incidentally, is also carefully observed by "Interflug": Prominent "GDR" stars who, for instance, fly to concerts or similar appearances in Italy are charged by the airline a price in East German currency about five times higher than a West Berlin passenger to Rome pays in West German currency.

In the "general instructions" of Interflug, there is very clearly the indication of arbitrary pricing, upward or downward: "All prices listed can be changed at any time," it states literally. Unusual, and only specific for "Interflug" is also the prohibition to use "cameras and binoculars" on board.

The "Interflug" flight network of 125,000 km, with strong connections to the Near and Far East,--together with prices up to 40 percent below the IATA limit--encourage the busy "ants' path" between East and West. Applicants for asylum and drug dealers land and start principally in Schoenefeld and proceed from there, undiscovered and uncontrolled, to the Western side. Four hundred Lebanese and stateless Palestinian drug dealers came to West Berlin via this route in 1981, according to information from the Berlin police.

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GERMAN DEMOCRATIC REPUBLIC

12TH FARMERS CONGRESS RESOLUTION SETS AGRICULTURAL TASKS

West German Commentary

Bonn DIE WELT in German 20 Jul 82 p 3

[Unsigned article: "The Farmers of the 'GDR' Are Under Pressure to Succeed--They Are to Produce an Additional One Million Tons of Grain Annually--Problems With Meat Supply." Translations of the official GDR evaluation and appended resolution of the East Berlin farmers congress, cited below, follow this commentary]

[Text] At the present time the wheat harvest in the "GDR" is in full swing. It is accompanied by slogans and statements in the newspapers such as "The '82 harvest is the farmers' contribution to the strengthening of the republic" or "The sun is burning hot, the dust settles on their clothing and their skin, but the cooperative farmers give no thought to taking a breather."

The "GDR" farmers are under pressure to succeed. At the farmers congress in East Berlin their official representatives recently made commitments which included the obligation to achieve by 1985 an annual grain production increase to 10.5 million tons, which would mean an increase of at least one million tons per year over the present production level. In the recently published "GDR" Law Gazette, a pronouncement on the full utilization of the farmers congress, signed by Premier Willi Stoph and Minister for Agriculture Heinz Kuhrig, states that "controllable measures for its realization must be set down and their implementation must be ensured."

The assumed obligations also include "special efforts to bring about an increase in grain and fodder production in order to cut back grain imports at a faster rate and finally to do away with them altogether." According to western estimates, it will hardly be possible in 1982 to take a substantial step in that direction. It is stated that, for instance, in 1981 the "GDR" imported from the United States grain valued at 331 million dollars. If this present trend were to continue, the imports in 1982 would reach an equivalent amount.

The SED organ NEUES DEUTSCHLAND devoted only nine paragraphs to the "Agriculture, Forestry, and Food Production" chapter. In them, laudatory remarks were made about the farmers' "private plots," which had made "an important contribution to improving the population's supply with fruit, vegetables, eggs, honey and white meat."

Due to the problems with fat stocks, the meat supply in the "GDR" continues to be unsatisfactory. One of the reasons given by some agricultural enterprises for not meeting the meat and milk plans was livestock feed shortages caused by curbed imports. In addition, there had been livestock losses, especially in the northern bezirks, as a result of foot and mouth disease and a lack of qualified personnel for handling livestock.

These supply bottlenecks are passed over in silence by the "GDR" media. Only from local papers it was possible to find out about "problems connected with providing for vacationers," but no details were reported there either. In an analysis of "GDR" agriculture, the German Institute for Economic Research (DIW), West Berlin, writes that it has already switched directions several times.

According to DIW, after the big collectivization wave slowed down in the 1960's it was taken as an unquestioned dogma that the necessary production increases could be achieved only through an industrialization of agricultural production. As a result, relatively large "agricultural plants" came into being, which caused an enormous outlay for transportation because of the great distances involved and also resulted in relatively high organizational costs.

According to DIW, the plan estimates for the 1981-1985 Five-Year Plan indicate that livestock production is essentially to remain on its present level whereas higher crop production could no longer be achieved by a more intensive utilization of available acreage but called for the tapping of reserves.

#### GDR Council of Ministers Resolution

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German  
Part I No 25, 12 Jul 82 p 455

[Official text of "Resolution, dated 11 June 1982, on the Evaluation of the 12th Farmers Congress of the GDR--Excerpt," signed by Willi Stoph, chairman, GDR Council of Ministers, and Heinz Kuhrig, minister for agriculture, forestry, and foodstuffs]

[Text] 1. The report concerning the implementation of the 12th Farmers Congress of the GDR is acknowledged.

2. The resolution of the 12th Farmers Congress of the GDR is approved. (Attachment)

The ministers and chiefs of the other central government organs, the chairmen of the bezirk and kreis councils, the mayors, as well as the chiefs of scientific and educational institutions are obligated to ensure a thorough evaluation of the resolution in their spheres of responsibility, to establish controllable measures for their realization, and to ensure their implementation.

3. The report of the resolution committee to the 12th Farmers Congress of the GDR is acknowledged.

The ministers and chiefs of the other central government organs, the chairmen of the bezirk and kreis councils, the mayors, as well as the chiefs of scientific and educational institutions are obligated to ensure the processing of the problems and tasks contained therein in accordance with the resolution committee's

report as approved by the 12th Farmers Congress, and to make the necessary decisions on their own responsibility. For decisions which cannot be made on their own responsibility, they are to submit recommendations by 31 August 1982.

4. The council of ministers' measures in connection with the evaluation of the 12th Farmers Congress of the GDR are approved.

#### GDR Farmers Congress Resolution

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German  
Part I No 25, 12 Jul 82 pp 455-465

[Official text of "Resolution of the 12th Farmers Congress of the GDR, 13-14 May 1982," attachment to the foregoing Council of Ministers Resolution]

[Text] Our course for the 1980's--Reliably supplying our population with foodstuffs and our industry with raw materials through higher achievements, quality and effectiveness on the fields and in the stables

Our Bread Grows Well Only in Peace--All Our Strength to It!

We cooperative farmers and workers in agriculture, forestry and the foodstuffs industry are conscious of the great responsibility for the realization of the SED Program. Through active, creative and industrious work we contribute to the all-round strengthening of the workers and farmers power in the GDR. Socialism and peace belong together. This is what our experience has been, and we act accordingly.

The fact that we have been able to do our work for three decades under the star of peace is due particularly to the consistent peace policy of the Soviet Union and of the states firmly allied with it in the Warsaw Pact.

For this reason we support with all our strength the course of peace, growth, and people's prosperity decreed for the 1980's by the 10th SED Congress.

For this reason we stand firmly behind the CPSU peace program and join the peoples in their worldwide struggle against the imperialist arms-buildup policy.

It is for this reason that we unanimously approve the new proposals by Comrade Leonid Brezhnev, secretary general of the CPSU Central Committee and chairman of the presidium of the Supreme Soviet of the USSR, on disarmament and the securing of peace.

It is for this reason that we demand the elimination of the NATO missile decision on deploying new and deadly U.S. missiles in Europe and protest most sharply against the construction of the neutron weapon and the development and production of constantly new weapons systems by the United States.

We wholeheartedly support what the SED and the government of our state are doing for the protection of peace, for stopping the arms race staged by U.S. imperialism, and for arms limitation and disarmament.

We condemn with loathing the policy of imperialism that replaces cooperation by confrontation and disturbs world peace with its policy of threats and boycotts. We shall do everything necessary to counter those shameful designs. Our contribution to it lies in our using all the possibilities available to us in increasing our production and efficiency for the further all-round strengthening of our socialist fatherland.

The manifold foreign policy activities of our party and government, aimed at friendly cooperation among the peoples, give us favorable prerequisites for it. We are deepening our fraternal and friendly relations with the Soviet Union and the other socialist countries. We declare our profound solidarity with the liberated national states. We are assuring them we will stand by their side at any time in the anti-imperialist struggle.

While fulfilling those demanding tasks, we let ourselves be guided by the principle that the safeguarding of the living standard achieved and its gradual improvement calls for a high degree of economic efficiency. We are aware of the great responsibility which agriculture, as part of the national economy, bears for stably supplying the population with foodstuffs, and industry with raw materials. We also know we must do a great deal to improve the efficiency of our national economy.

It corresponds to the common interests of the workers class, the class of the cooperative farmers and all working people that the 10th SED Congress reaffirmed the fact that the development of our agriculture is and remains a concern of the entire national economy. We therefore proceed from the fact that we can also in the future rely on the active support of the workers class and of science. From this we derive a high degree of political responsibility for our socialist agriculture. On the basis of this alliance we will, through socialist competition, make a substantial contribution to the objective of consistently carrying on the main task in its unity of economic and social policy. We know that from the reproduction conditions of the 1980's there result for our national economy significantly higher demands on our work, efficiency, industriousness and creativeness.

For the fulfilment of these exacting tasks, the 30 years of socialist development of agriculture provide us with important lessons and experiences, optimism, pride in our achievements, and the unshakable certainty that we will live up to our duties as farmers.

#### Thirty Years of Successful LPG Development--Secure Basis for Continued Rapid Performance Improvements

Three decades ago, in 1952, the working class party with its historic resolution at the Second SED Conference showed us the way for converting a splintered simple farm production into cooperative production. This was the course we took, and everyone in the villages knows it was the correct one.

In this process, the democratic parties and organizations united in the National Front are an important social force.



Our LPG's are proving to be sound basic forms of agricultural production, making available the decisive share for stably supplying the population with foodstuffs, and industry with raw materials. At the same time they are proving their worth as the sociopolitical community in the villages.

In the 30-year history of our LPG's we have developed into a highly cultivated cooperative farmers class which is loyally dedicated to socialism. We have literally become a new kind of people. As alliance partners of the leading workers class, we are actively participating in the exercise of political power and in solving the economic, social and cultural tasks. We have become ever more successful in developing creativeness and initiative as well as comradely co-operation and mutual help as characteristics of good cooperative work and in spreading cooperative democracy.

Which other phase of the German farmers' history has been able to record anything resembling the progress we have accomplished in barely half a generation? We know no fear of ruination, such as worries the millions of small and medium-size farmers in the capitalist countries. Instead, we have in the course of these 30 years increased our crop and animal production as never before, as follows:

- Grain--a 1.65 fold increase,
- Fat stock--a 4.6 fold increase,
- Milk--a 3.4 fold increase, and
- Eggs--a 9.5 fold increase.

All of this we achieved with a considerably smaller work force. Our way is so successful because, under the leadership and with the energetic help of the workers class and its Marxist-Leninist party, we have creatively applied the Leninist cooperative plan. It has proved to be effective thoroughly to consult with us farmers on all decisive development problems, to prepare well each step in the sphere of social development, and to proceed jointly. It was the correct procedure to make use of the various forms of gradual transition from individual farming to cooperative production, and to develop them further by way of co-operation.

The resolution of the Eighth and Ninth SED Congress on the further intensification and the gradual transition to industrialized production methods have enabled us to contribute increasingly to the necessary efficiency increase of our national economy. The 10th party congress resolutions as well as our good results and successes will put us in a position in the future even more effectively to live up to our farmers' commitment in connection with the shaping of the developed socialist society.

#### Our Objectives and Tasks in the 1980's

The reliable fulfilment of the main task calls for a further dynamic development of our agricultural performance. We are aware, that is a political task of the first order. The 10 key points of the economic strategy decreed by the 10th SED Congress also direct us farmers to shaping the intensification process as effectively as possible. We have creatively and constructively discussed this at the kreis farmers conferences in all kreises in our republic, at which we also conducted elections for new agriculture and foodstuffs industry councils, and we



decided on the setting up of exacting programs. We think it a good idea to conduct these great democratic forums approximately every 2 years in the future.

In implementing these tasks, we rely on our greater intellectual and material potential. For this reason, training and follow-up training, mechanization, the application of chemical means, soil enrichment, breeding, storage and conservation remain the sustaining factors of socialist intensification.

Applied in a complex fashion and with a high degree of economy, their effect is greater than that of focusing on individual aspects only. It is therefore more necessary than ever that we always proceed from the unity of natural, technical-technological, economic and social processes. This constitutes the field of action of close socialist team work between science and actual practice for carrying through scientific-technical progress. This is to be taken into account in the socialist competition for further intensification.

In view of the exacting tasks, we shall more carefully examine what has proven its worth and what has not. Our most significant performance reserves include the need to make by far better use of the high training level of the cooperative farmers and workers, everywhere to apply purposefully the experiences of the most advanced LPG's and VEG's, to deepen cooperation, to carry through socialist enterprise operations to a more comprehensive extent, to promote mutual assistance, and to organize rationalization on the basis of an ever more comprehensive application of science and technology.

This is a particular challenge to youthful vigor--because youth, science, and technology belong together also in the country. We are convinced that the socialist youth organization will also in the future prove to be a loyal helper and dependable fighting reserve of the SED.

In the streamlined reproduction process of our agricultural and livestock economy we are concentrating our initiatives on a further strengthening of the LPG's and VEG's in order thus to utilize our soil, our livestock, and indeed all our capacities, with the least expenditure possible of feed, energy and material. This includes the need for ensuring exemplary order, safety and discipline in all production sectors.

No longer can or will we put up with unjustified disparities. Let us care for our neighbor's field, or his stable, as if it were our own. To produce the same amount of goods from the same conditions, therein lies an almost immeasurable reserve. This similarly applies to a more effective utilization of the agricultural raw materials through close cooperation with the processing industry and commercial enterprises for dependably supplying our people.

The necessary dynamic efficiency improvement of our national economy requires that we use economically and rationally and with a higher degree of effectiveness everything we have created in the past years for ourselves as production prerequisites and all the workers class will in the coming years make available to us in new basic assets, materials and energy. So we shall by 1985 noticeably reduce our costs per M 100 gross production and increase the contribution made by our agriculture, forestry, and foodstuffs sectors to our national income by at least M 1.1 billion.

We shall also in the future combine this with effective measures for the further improvement of our socialist land cultivation.

#### High and Solid Yields in All Cultures Through More Effective Soil Utilization

In our daily work we proceed from the fact that the soil, our primary means of production, is our most precious natural treasure. Our experiences confirm the old realization that the better we treat the soil, that much better it will treat us, and with increasing yields, at that.

In the GDR we dispose of only 0.37 hectare of usable agricultural area per inhabitant. It is therefore all the more necessary for us, through a strict implementation of the soil utilization order, to make full use of every square meter during the entire vegetation period, steadily to increase fertility, and to protect it against being used for purposes not justified from the vantage point of our national economy. Relying on that fact, we make the focal point of all our initiatives the intensification of crop production as a priority project, for it is the fountain head for agriculture's greater contribution to a performance increase in our national economy.

We therefore concentrate our efforts on fully exhausting the soil and crop yield possibilities on all acreages, and we are thereby guaranteeing a higher level of effectiveness of the work and the funds required for this purpose. This also applies without restriction to all small-scale areas such, as for instance, those situated adjacent to the stables. We conscientiously keep up our accounting records on our agricultural production activities and the acreage files. We closely cooperate with the urban and community councils in order to see to it that as yet unutilized minimal-scale areas and broken lots will be cultivated. Jointly with other domains of our national economy we shall make greater efforts to recultivate usable agricultural acreage.

We are concentrating on a strict realization of the long-range programs for a more effective soil utilization in order to achieve the highest possible yields on all acreages, yields which can measure up to comparable top yields. Proceeding from the experiences with best performance, we thus purposefully apply the scientific-technical progress made in crop production and sensibly coordinate all agricultural, crop cultivation, and soil improvement measures. This we combine with a rational utilization and the protection of our water resources.

We pay maximum attention to the provision for adequate quantities of organic substances, especially of solid and liquid manure, dung water, and field compost. The same purpose is served by the expanded cultivation of lucerne, clover, and their mixtures with grass, as well as of catch crops, primarily leguminous plants.

We are deepening the cooperation between the collectives in animal and crop production in order also to make available organic substances to an increasing extent and at a high-grade level, and to get them into the soil during the most favorable agrotechnical time periods with the least loss in nutritional value. We intend by 1985 to produce 6 million cubic meters of liquid manure dumps, 5.9 million cubic meters of dung-water pits, and 1.4 million square meters of dung slabs, and to expand the capacities for their distribution in such a

manner that dung compost, liquid manure, and dung water can be put to effective use at a time most suitable for crop cultivation. Similarly, we are utilizing all other organic by-products from the spheres of agriculture, forestry, and foodstuffs production and from the other domains of our national economy.

Through stable, sound scientific crop rotation, we shall make optimum use of the early crop effects of the cultivated areas by sensibly fitting them into the crop rotation process, and we shall observe the necessary phytosanitary principles, particularly the cultivation intervals, especially for potatoes and sugar beets. Each crop category must have the location where it will produce the greatest yield. It is a matter of professional honor for each of us to carry out all work in the fields at the highest possible quality level and in a soil-conserving manner. This also includes that in each LPG and in each VEG we pay greater attention to high-performance plowing and to striving for a higher level of soil cultivation.

Through strict management and organization on the basis of norms and through a rational utilization of working time we are struggling, in our socialist competition, to abiding by the most favorable time frames for soil cultivation, planting, cultivating and harvesting, and utilizing favorable soil and weather conditions, in order thus to be able to provide for each category under cultivation the growth period required for the achievement of maximum yields. In this connection, a high degree of technological discipline marks the focal point of our work.

An optimum supply of plants in all cultivated categories and at all locations constitutes the elementary condition for an effective utilization of the soil, fuel consumption, fertilizers, herbicides and insecticides and other resources. When we enter the harvest season, it is our goal to have per hectare at least 45,000 eating potato plants, at least 50,000 seed potato plants, and at least 80,000 sugar beet plants.

To make everything that has been grown effective in the supply sector requires of each and every work collective in our LPG's, GPG's and VEG's, as well as in the processing enterprises and commercial establishments, that they conduct a still more determined struggle against losses of any kind. This particularly applies to potatoes, grain, sugar beets and feed, as well as to fruit and vegetables. Through proper work quality and the application of all tried and proven innovations, we are concentrating on significantly lowering the harvest, storage, and preservation losses, because that, as one well knows, is the cheapest way to raise production.

With all these good and necessary plans, we can and will make it our goal to harvest in the GDR in 1985 a total yield of 43.7 to 44.2 decitons of grain units per hectare of agricultural acreage under cultivation. This requires an annual increment of 0.5 decitons of grain units. Within the scope of socialist competition we are making it our task to surpass that amount by another 0.7 decitons of grain units per year. That is indispensable for reliably ensuring our own crop production yields for stably supplying our population with foodstuffs, and our industry with raw materials.

## All Our Knowledge and Skills for Achieving High Grain and Feed Yields From Our Own Production

Our most important obligation for the all-round strengthening of our socialist fatherland is the achievement of a faster increase in the yields. Each collective is struggling to achieve top yields corresponding to the existing natural and economic conditions, with respect to which the results of the best performers are at all times the standards for the work of all of us.

Particular efforts are devoted by us to the achievement of an increase in grain and food production in order to bring about a faster reduction in grain imports and, ultimately, do away with them entirely.

At the Third SED Central Committee session, Comrade Erich Honecker made the following statement: "These questions are of increasing significance in the international class struggle. It is today entirely possible to look at the grain problem as being on the same priority level as the oil problem." We farmers have well understood the gravity of these words!

For this reason we propose to increase our grain production by 1985 to 10.5 million tons and thus make a greater contribution to the easing of our national economy's balance of payments. We are going to raise the grain yields to an average of at least 39.5 decitons per hectare. This above all means that the LPG's and VEG's which are already achieving higher yields at favorable locations must ensure a correspondingly greater increase in yields. For us, the highest-yield concepts attain particular importance because acreage-related and norm-observing production enforces the implementation of scientific-technical progress. This at the same time leads to high-grade grain, including better food grains. We adopt this principle also for all other cultures.

As a further measure, we will by 1985 expand the grain cultivation acreage by at least 120,000 hectare. In this connection we will pay particular attention to the feed cultivation acreage and to an increase in its yields. At the same time we will at all locations ensure an optimum structure of various varieties and specimens, in order to harvest sufficient high-quality fodder.

Beyond this, we are intensifying our efforts to increase the production of coarse fodder while at the same time gradually reducing the overall fodder acreage with due consideration given to the supply and quality factors. Harvesting more greens with high nutritional value from smaller green acreage and silage fodder acreage as a result of compact and healthy crop growth also constitutes a gain in acreage to be used for increased grain cultivation. In connection with our fodder production from the fields, we are concentrating all our efforts on achieving minimum yields of 330 decitons of silo corn per hectare and of 370 decitons of field fodder through intensified concentration of energy.

It is an uncontested fact that we have very great reserves in our green acreage, which accounts for about one-fifth of our usable agricultural acreage. It is for this reason that, in connection with our efforts in the sphere of our own fodder production performance, better green land management, including more

intensive pasture land utilization, is among our top-priority endeavors. Regular cultivation, fertilization and multiple-cutting practice in accordance with the applicable norms on each hectare guarantee considerably higher nutrient yields. We propose to harvest at least 290 decitons per hectare from meadows and pastures.

Greater efforts are necessary at all meadowland locations, and especially at low-lying moorland and sloping-land locations, in order to make full use of the reserves available there. In this connection, industry should assist us effectively with suitable machinery and equipment.

For a better fodder supply from our own yields we will also expand the pasturing of cattle and the pasture duration as well as the pasturing of the sheep at locations with appropriate sheep fodder. To this end we will increase the share of pasturable green land by 120,000 hectare. At the same time we will increase the production of hay in accordance with the conditions in our LPG's and VEG's. For this too we need more technical harvesting equipment for the various locations.

To achieve an increase in good-quality fodder yields, we will improve the production of seeds, especially of clover, serradella, lupines, and other leguminous plants as well as grasses. We expect of the state-owned seed and seedling producing enterprises that they will contractually commit the necessary increased acreage and that they make available high-quality seeds, including silo corn in the I and II ripeness categories.

In the case of potatoes, we must achieve yields of at least 220 decitons per hectare; at better locations, the yields must of course be far greater. It is indispensable that this yield level be ensured from year to year and that it even be raised, if high-quality and sufficient eating, fodder, and industrial-use potatoes are to be made available. In this connection we count on more effective support from our potato farmers.

With the greatest energy and zeal we are struggling to increase the hitherto unsatisfactory sugar beet yields. It is our objective to harvest an average of at least 330 decitons per hectare and to sell them at a good qualitative level to the sugar factories. The most reliable guarantees for achieving this continue to be timely paring and fall furrows, the fertilization of each location with organic substances, timely dissemination of high-quality seed, conscientious mechanical and manual maintenance, and a minimum of harvesting losses. From the cultivators we expect also in this respect soon to receive new varieties with a higher performance potential as to their yield and sugar content and better germination.

Industry should in the future supply us with more ammonia calcium nitrate, granulated phosphorous and potash manure, and effective herbicides and fungicides.

We propose to bring about a better supply of vegetables by 1985 throughout the year through the efforts of the LPG's, GPG's, VEG's and their cooperative facilities, to expand the range of varieties, and to continue on the tried and

proven path for the utilization of the most favorable natural and economic production conditions for supplying our capital, Berlin, the bezirk cities and workers centers, as well as for long-term storage.

The vegetables necessary for the day-to-day supply of the rural population we will grow ourselves on small plots suitable for this purpose. It has proved effective to make this task part of the people's economy plans in the kreises and bezirks and to fully utilize for this purpose also the possibilities deriving from the members of VKSK [Association of Small Gardeners, Settlers, and Small Livestock Breeders] and other small-scale producers.

We shall further increase the country's fruit yield and ensure that apples are in good supply throughout the entire year. With the fruit acreage remaining at the same level, we will achieve a step-by-step increase in the production of cherries, plums, pears, strawberries and bush berries. Many a domestic garden is capable of doing more in this respect.

For the purpose of further limiting vegetable oil imports, we are going to increase the production of eruca-acid poor rape by increasing yields, improving quality, and reducing harvesting losses.

Of great importance with respect to our national economy are also tobacco, hops, medicinal plants, aromatic plants and ornamental plants. Through a step-by-step expansion of their cultivation at the most suitable locations we propose to reduce imports. In this respect also we have at our disposal our private farming plots as well as the gardens of the VKSK members and of other small-scale producers.

#### Ensuring Increased Achievements in the Stables

In animal production, we are directing our efforts at attaining top achievements from our economy's fodder supplies and conscientiously making available day after day the quantities required for the planned supply. Through a high level of fodder management we propose to supply the animal stocks as completely as possible with high-quality fodder, along with rising achievements and the shortest possible distances involved in its transportation. It is particularly in this respect that a closer cooperation between the cooperative partners must prove its worth every day. We ourselves are individually responsible for the best possible interactions between the soil, the plants and the animals. In this connection our efforts are directed at an orderly accumulation and/or storage of all stable manure and dung water, at producing liquid manure with a high dry-substance content, and thus at increasing the organic substance and raising the fertility of the soil.

We proceed from our experience that it has proved effective on the basis of our own fodder production to ensure high-level animal performance while steadily maintaining large animal stocks. By 1985, the national yield for fat stock is to reach 2,400,000 tons, for milk 6,930,000 tons, eggs, 4.72 billion, and wool 7,000 tons.

Particularly in cattle and sheep production it is possible to mobilize the performance reserves through increased coarse fodder production at improved qualitative, quantitative and structural levels. We have made it our goal to achieve in the GDR by 1985 an annual average of at least 125 to 130 kg slaughter cattle per animal from the average available stock and 3,450 to 3,500 kg of milk with a 4 percent fat content per cow, with an overall reduced expenditure for fodder concentrate and fodder acreage. We shall by 1985 increase the sheep stocks between 500,000 to 600,000 over 1980, so as to convert still more intensively the sheep fodder into more wool and meat. There also is still room for many a wool provider in private sheep-raising.

In hog and poultry raising we are aiming at further expanding the attained high production level. Our objective is to produce annually at least 130 to 135 kg of pork per average animal stock and an average of 210 eggs per hen. That calls for an highly economical management of fodder grain by a more intensive utilization of root crops in hog fattening and the use of high-quality raw fodder, especially protein-rich green fodder for piglets and sows.

In all animal categories our entire attention is devoted to improving the cost/benefit ratio, the ratio between fodder and the results it produces. Here we expect the veterinarians to assist the production collectives of our LPG's and VEG's even more in their efforts to attain high breeding results and stable animal health. Special importance attaches here to ensuring favorable environmental conditions for the animals by adhering to all norms for animal hygiene. So we propose to ensure a yearly fodder expenditure reduction averaging between 0.5 and 0.6 percent per production unit. Here too it is necessary to disseminate the experiences of the best performers in fodder production and utilization through a complex application of the GDR fodder rating system to save much more fodder, particularly in LPG's and VEG's that still are achieving less per fodder unit at their disposal. This will help us reduce the unjustified disparities among the stable collectives. Our experience indicates that particularly in this respect the socialist competition drive can produce impressive effects on the basis of sound scientific norms. Another way to reduce fodder expenditures rapidly, we think, lies in high breeding results and daily increases while strictly keeping animal losses down. We are therefore making it our objective to raise one calf per cow annually and 18.8 piglets per sow. Much success can be ensured by providing our animal stocks with higher resistance against diseases and epidemics, a high level of production safety, and by using the cows for at least four to five lactations. This calls for our taking to heart such tried and tested experiences of our master milkers and animal keepers as lengthy pasture periods for young cattle and cows, providing runs for pregnant sows, and an increased use of hay, fodder beets and carrots.

We farmers believe that it should become standard procedure, an unwritten law, that nowhere between the Baltic and the mountain area fodder should pass through anything else but animal stomachs, be it refuse from domestic or cooperative kitchens or energy-rich and protein-containing substances from the foodstuffs industry or commercial establishments. We need every kilogram of fodder.

Wherever quantities of some size become available one should enter into concrete contracts. Where it is a matter of small fodder reserves of this type, the small



animal keeper should realize he has a role to play. Every quantity, however small, must be accounted for and fed to the animals. In this connection we recommend that the local government organs generally disseminate the experiences of the most successful performers through prudent organization and publicity. We expect that industrial enterprises will provide material assistance, for instance by manufacturing fodder tubs. We are asking the National Front committees and each and every citizen to support animal production in every conceivable way.

We cooperative farmers and workers, with our personal animal-raising activities, and jointly with the VKSK members and other nonagricultural animal keepers, bear a great responsibility for a still better exploitation of available production possibilities. In particular it is possible effectively to increase the production of rabbits, geese, turkeys, wool, nutria and other small animal skins and honey. Through such private production we will particularly concentrate on a better utilization of those areas, existing in every village, that cannot be effectively used on a cooperative basis. And we are also thinking of the cultivation and utilization of road borders and ditches, drainage channel and canal slopes, and of using all other green and drift land. For this we expect support and assistance from the executive boards of our LPG's, GPG's, the VdgB-BHG [Peasant Mutual Aid Associations--Peasants' Trade Cooperatives], and the community councils. This applies to making available young animals and plants, small-scale equipment and means of production for the house, the yard, and the garden, as well as stud animals, and to improving the purchasing setup for these products in one's own village. We provide all-round assistance to the bee-keepers when we put their bee swarms to work for blossom pollination and for increasing honey production in rape, red clover, and other reproduction cultures, as well as in the fruit orchards.

By deepening our cooperation in cooperative associations we not only ensure a high level of supply effectiveness but also contribute to producing and properly processing high-quality skins and furs, feathers, glands, bones, and bristles in the slaughter and processing enterprises and the state-owned animal raw materials enterprise.

In fresh-water fishing we intend to increase by 1985 the yield to 22,000 tons in conformity with the long-range program for increasing edible fish production. In this connection it is particularly necessary to stabilize and increase the breeding-fish production and to decrease production expenditures, especially those for feeding purposes. It is also important to increase the fish stocks in natural waters, where they can grow without the need for supplementary food. The high objectives pursued in edible fish production also require measures for pond reconstruction and for the production of means of rationalization.

#### For Further Successes in Science and Their Rapid Application in Production

The solution of the exacting tasks facing us requires that in agriculture the scientific-technical progress be utilized still more rapidly and more comprehensively. We expect of the agrarian scientists and their cooperative partners that they support us with economically effective achievements and that they more rapidly create the necessary leads for it in decisive areas. In this connection the following actions are particularly required:



- Effective solutions for an expanded reproduction of soil fertility for the different production conditions, especially processes involving the utilization of organic fertilizer, holding losses down;
- making available profitable and yield-guaranteeing plant varieties which, in situations of different local conditions, utilize the rays of the sun and natural precipitation at an optimum throughout the entire vegetation period, are resistant to diseases and pests, excel by their good and useful properties, and make possible a harvest that keeps losses down;
- improvement of the animal species, especially with a view to their performance and resistance capabilities;
- results in the sphere of animal feeding and feeding research which make possible a high-level fodder economy and a reduction in the use of fodder concentrates;
- new and further development of mechanized solutions in connection with the utilization of microelectronics and robot technology which more satisfactorily live up to the biological requirements of the plants and animals, the closing of gaps existing in the sphere of mechanization, and improvement in the mass/performance ratio of the machines, so as to reduce the specific ground pressure, improvement of energy consumption as well as the tapping of unconventional energy sources;
- solutions in the sphere of plant protection and veterinary medicine which provide healthy plants and animals for us, together with the most economic use made of means and medicines;
- solutions for the rational use of usable water, and for cutting back water consumption and waste water accrual in the spheres of animal production, food-stuffs production, and in the refrigeration and storage areas; and
- results achieved in the spheres of agricultural and industrial research which help us master even more effectively the streamlined agricultural reproduction process and utilize more comprehensively the qualitative growth factors in the LPG's and VEG's and their cooperative installations.

We particularly consider it to be our responsibility comprehensively and rapidly to apply our scientific-technical progress in actual practice. For this purpose we are setting for ourselves demanding tasks which are being solidly included in the plans and programs of our LPG's, VEG's and all other socialist enterprises. We shall accurately plan and account for the economic benefits to be derived from it. This we shall accomplish by working up all parts of the operational plan on the basis of sound scientific norms and knowledge, starting with the setting of targets for yields and achievements, to the expenditure of funds, materials and live labor, and on to the tasks for the development of labor productivity and efficiency. In precisely the same manner we shall coordinate and combine the required scientific-technical progress measures with our own production of means of rationalization and the investment plan.

We shall also more definitely adapt our socialist competition efforts to the realization of the tasks contained in the science and technology plan and guide the many good initiatives of the innovators and rationalizers. Enforcing scientific-technical progress and applying the most useful experiences in actual practice constitute priority tasks for all management cadres and production collectives. We therefore also recommend that in connection with our proficiency-related remuneration and bonuses for the management cadres and work collectives, their

meeting their tasks in these areas be taken into consideration, and to utilize for this purpose all possibilities for moral incentives. It has been found useful to set up commissions for making scientific-technical progress prevail more rapidly in the LPG's, VEG's, cooperative installations, and in the cooperation councils and the agricultural and foodstuffs industry councils.

Jointly with research installations, we will also utilize to a more comprehensive extent the consultation offices and other forms for communicating scientific-technical progress as well as the experiences of the best performers. Great importance in this connection is to be accorded to AGRA, the "University in the Open," and IGA [International Horticultural Exhibition], which are tried and proven places for experience exchange. We expect of them more support in connection with the purposeful dissemination of the results of the work of the innovators and rationalizers.

The effectiveness of the scientific centers of the bezirk councils, the consultation services for enterprise operations management, and other scientific installations in the bezirks is to be increased substantially. All of this will contribute to converting the high educational level of the cooperative farmers and workers and their abundant knowledge and extensive experience even more effectively into high production results and rising labor productivity and efficiency. We are proud of what we have accomplished so far. To circa 90 percent our female and male cooperative farmers are in possession of a trained worker certification, have passed their master's examination, or have had technical or advanced school training. And top results in the acquisition of knowledge are an excellent investment toward top production achievements. We would at this point also like to make reference to our high expectation of the "cooperative work schools." They are a study and opinion-exchange forum for the purpose of familiarizing oneself ever more with the basic questions of Marxism-Leninism, the policy of the SED, and the possibilities for its implementation, particularly also in one's own area of work.

We focus the specialized and the predominantly job-related follow-up training on acquiring technical-scientific knowledge and on expanding knowledge in the spheres of industrial management, agricultural management and economics. In so doing, we ensure even more effectively the unity of political and occupational training.

Close cooperation with the kreis agricultural schools, the German Society of Agricultural Sciences, the Chamber of Technology, the Cultural League and URANIA [Society for the Dissemination of Scientific Knowledge] will ensure the possession of usable knowledge and skills on the part of our members and workers. Following the example set by advanced LPG's and VEG's, we are going to prepare cadre and training plans for a period of at least 5 years.

From the educational institutions we expect that the apprentices and students, through imparting to them relevant practical, industrial management, and technical knowledge, are more effectively enabled to live up to their responsibility in a confident cooperation between crop and animal production in solidly shaping our streamlined reproduction process. The training and communist education of the students at the advanced and occupational schools must ensure that the graduates are enabled, jointly with the cooperative members and workers, to ensure an increasing rate of production and efficiency. The best way to do this is for them to become members of the LPG's themselves.

## Rationalization Makes Our Basic Assets More Effective

With the support of the working class, we have created for ourselves significant basic assets, amounting to more than M 70 billion. Our farming skill now consists primarily in managing it effectively and in achieving a higher production increase with what we have. Having increased basic assets at the same time means having increased responsibility for their utilization and for maintaining their value. Here too rationalization proves to be the primary path to be followed for reproducing the basic assets. For purposes of ensuring a high level of effectiveness for the investments in agriculture and foodstuffs production, we therefore propose to concentrate the available funds and resources particularly on rationalization. In so doing, we take into consideration the following priority sequence in taking into account our entire economic sector:

- Measures for increasing soil fertility, especially through tapping reserves in connection with the utilization of organic fertilizers;
- creation of simple storage facilities and utilization of old structures for the storage of raw fodder, especially of hay and straw as well as grain, with a minimum of losses;
- rationalization and reconstruction of existing stables in order to do away with the still considerable amount of physically demanding labor, to improve the conditions of animal hygiene, and to increase production and its efficiency;
- conversion of heat-producing installations to raw lignite for a change-over from heating oil and diesel fuel;
- setting up simple parking and maintenance facilities for technical agricultural equipment, to improve its operational capacity and extend its working life; and
- rationalization and reconstruction in foodstuffs production for more effective processing and utilization of agricultural raw materials.

From science and from the planners we expect to get rationalization and central reuse projects which make possible a significant lowering of construction expenditures and construction time, and which thereby guarantee a rapid production effectiveness.

It is necessary to pay more attention to the maintenance and repair of building projects. Toward this end we will primarily put to work our intercooperative construction organizations. This also applies to work connected with the conversion and expansion of dwellings in our villages.

For purposes of increasing the long-term fertility of our soil, we shall carry out effective measures for the regulation of ground water management, especially for the drainage of at least 60,000 hectare of green land per year, as well as of wetland sections in our agricultural acreage. We shall at all times ensure that the drainage and irrigation systems are used effectively and that the maintenance of all soil improvement installations is ensured, primarily through the resources of our soil improvement cooperatives. We shall to an intensified extent carry out agriculture-improving measures for increasing the depth of the top soil, for subsoil loosening, and for erosion protection. We shall expand the growing of woods to serve as protection against wind and water erosion.

Under the conditions of the 1980's, the rationalization for the reproduction of equipment and the improvement of its structure assume an entirely new rank. For this reason we will by 1985 increase our own construction of means of rationalization to M 1.6 billion, i. e. we will double it. This calls for great efforts on the part of the workers and engineers in the kreis agrotechnical enterprises, the foodstuffs industry combines, and other enterprises of our national economy.

We shall simultaneously use all possibilities available in the workshops of the LPG's and VEG's while relying on our cooperative relations. Here our innovators and rationalizers find a particular field for action. We fully support the even more intensified inclusion of the young cooperative farmers and workers in the MMM [Fair of the Masters of Tomorrow] movement, utilization and reutilization of innovator achievements, and the submission of important rationalization and rationalization-resource-creating projects as assignments for our youth. We consider it our duty to orient the innovators to focal points, to take hold of their experiences, ideas and recommendations, and to do everything necessary to apply them on a high level of efficiency. We pay special attention to the production of means of rationalization that permit effective soil cultivation and noticeably help reduce losses incurred in connection with the harvest as well as with the storage and preservation of grain, sugar beets, potatoes and fodder. Focal points in this respect are the short-term construction of means of rationalization for hay production, raw fodder storage, and the mechanization on sloping meadowlands, small-scale and splinter acreage, and low-yield meadows.

It is highly important that the manufacturers of agricultural machinery concentrate even more on closing mechanization gaps and on increasing the work quality of technical equipment. It is only natural that in the case of each new machine a farmer will ask himself: Is it lighter, less intricate, less prone to trouble, and is it economical in its fuel consumption? Does it perform better than the old one does? This also applies to the availability of fuel-economic small tractors which are particularly needed for animal production, soil-preserving cultivation of plants, fruit and vegetable growing, and fodder production on small-scale and sloping acreages. The mass production of a new machine for work in the stables, planned for 1984, is considered a great help in connection with the solution of our task. At the same time we need more and better functioning technical loading and stacking equipment for making the storage and turnover processes more efficient.

We are according priority to directing our joint efforts toward machinery for hay production and fodder recovery, toward stable tractors, technical fodder processing equipment, fodder distribution vehicles and manure removal equipment, top-soil base looseners, compost milling equipment, equipment for obtaining and applying liquid manure with a high dry-substance content, and machinery and implements for the mechanization of food and vegetable production and processing. For expanding the manufacture of means of rationalization within our own sphere, we will require substantially stronger support from the mechanical engineering, metallurgical and electrical engineering sectors in that they will make available to us machinery, vehicle and hydraulic equipment components, metallurgical products, and selected machine tools.

## Produce More and Do It More Effectively With the Available Material and Energy Resources

Through good care and maintenance we propose to provide our technical equipment with a high level of serviceability and reduce maintenance costs substantially. We have made it our goal to erect the still lacking 600 servicing stations by 1985, gradually to equip them with diagnostic instruments, and create an additional 1,900,000 square meters of simple parking areas for technical equipment.

We are deepening the cooperation between the LPG's, the kreis technical agricultural equipment enterprises and the state-owned technical agricultural equipment enterprises. In this connection we expect that the organization of the work, including specialized repair work, will be made still more effective in accordance with the new conditions.

Through repair work after technical equipment has been damaged and through a spare part allocation which will by 1985 be expanded to the level of M 1.1 billion, we propose to contribute to a consistent improvement of our material economy and to prolonged working lives. This, however, calls for greater efforts on the part of our agricultural machinery manufacturers in making spare parts available in accordance with the established plan.

We will still more consistently struggle in all production collectives for the most economical use of energy, especially of fuel and lubricants, as well as for doing away with the use of heating oil. Wherever it is possible, we shall replace heating oil with gas. In connection with all measures for the replacement of heating oil we expect that industry will make available more rapidly the equipment required for this. We consider it to be one of the most important objectives of our struggle to save at least 8 percent of operationally used energy per production unit through sensible management. We well understand that as important fuel consumers we have a special responsibility to see to it that these valuable energy sources are used as economically as possible. After all, in the 1980's one no longer asks us farmers merely about our yields; one also always asks us with how much, or rather with how little, energy they have been obtained.

We create favorable conditions through a production and labor organization that is well thought out from the point of view of our energy economy, especially through organizing territorial transportation that is as effective as possible. We shall in all LPG's, GPG's, VEG's and cooperative installations struggle for the distinction of receiving the "Exemplary Energy-Economy Work Certificate," put into effect enterprise-related specific energy consumption norms and make efforts to lower them, and we shall strictly control and materially stimulate their observance. We will also apply the same standards for a rational water consumption.

We also feel obligated to use as best we can and to an increased extent new alternative energy sources and incidental energy. The emphasis is placed here on heat recovery from milk, which we will, by 1985, realize in all milk cattle installations suitable for this purpose, recovery of energy from exhaust air, the use of solar collectors, the use of wind energy and wood chips and shavings, as well as the exploitation of biogas. We are contributing to the strengthening

of the raw material basis of our national economy through maximum exploitation of secondary raw materials such as scrap metal, paper and so forth in our area of responsibility.

Through the efforts of the working class we have attained a high level of utilization of mineral fertilizers, especially nitrogen. Now it is above all necessary to utilize the available fertilizer resources while deriving the highest possible benefits from the point of view of our national economy, and thus to contribute to the planned production increase. This purpose is served by the unity of ADP-supplied fertilizing recommendations, topical advice, and plant analysis.

Greater efforts are being made to keep our plant resources healthy. In this connection pest control is extremely helpful. It is the prerequisite for an effective control of the crops on the basis of the results of which plant protectives are put to timely and purposeful use. Cooperating closely with the agricultural aviation personnel, we will rationally utilize our resources when fertilizing with nitrogen and providing chemical plant protection.

We are certain that the workers of the chemical and potash industries are backing us loyally when it is necessary to obtain higher-quality fertilizers and plant protectives. At the same time we will, in connection with all these measures, improve environmental protection.

We pay the greatest attention to the cultivation and cleanness of our forests. They are one of the most important raw-material sources of our country and have to be managed in such a manner that our national economy is to an increasing extent supplied with raw wood from its own sources, that at the same time the living wood resources continue to increase and that the beneficial effects of this on our national culture will come fully into play. This requires that soil fertility be improved also in the forests, their productivity and profitability be increased through effective afforestation and forest maintenance, and better use be made of the wood through a gradual transition to whole-tree utilization. For this purpose we will further deepen the tried and proven cooperation between the LPG's and the forestry enterprises of the state.

#### Industrious Cooperative Farmers in Solidified LPG's

The alliance between the workers class and the cooperative farmers, having stood the test in actual life situations for decades, is politically and economically a mainstay of the social development in our country.

This alliance will continue to be of increasing importance, the 10th SED Congress has emphasized.

We take pride in the statement made by the secretary general of the SED Central Committee, our friend and comrade Erich Honecker, at the Third Central Committee session, to the effect that with the transition to industrialized agricultural production methods the forces and capabilities of the cooperative farmers class must come into play to an intensified degree. It is now our obligation with word and deed to guarantee the fulfilment of our tasks, more demanding as they now are. On that we focus our responsibility as cooperative farmers and citizens of our socialist state.



To this we shall fully apply our proverbial farmers' diligence, our traditional bonds with the soil and the animals, and our longtime experience in managing our work economically while accomplishing a great deal in doing so.

In that we are investing the great potentials of our cooperative socialist property. Our concerns and tasks imply the need to do our job to ensure the present-day and future development of the agricultural production cooperatives also by seeing to it that the cooperative farmers class as a whole and our children remain firmly linked with the village, so that our children in turn become industrious and intelligent cooperative farmers. Stable agricultural production also needs enough workers in the stables and in the fields. Who, if not our boys and girls, and if not particularly the young people from the villages, are they supposed to be? After all, they are the ones who have the closest ties with the farmers' working and living conditions, with nature, with the soil, and with the animals. It must be achieved that each year more than 17,000 school graduates take up their occupational training in agriculture. This makes it necessary for us to become more aware of our responsibility for the communist education of the young generation in the country and for the students to be made familiar to a more intensive and varied degree with agricultural work by being taxed with tasks that are suitable for this purpose. To achieve this, it is necessary to increase the cooperation with the schools, especially so in connection with shaping the polytechnical education in the LPG's, GPG's and VEG's, and to cooperate even more closely with the socialist youth association and the Ernst Thaelmann pioneer organization. We wish to train these young people at a high level, recruit them as LPG members already during their apprenticeship, provide them with a timely preparation for their work in cooperative production, and get them settled down in the villages.

The young people who continue to work in an honorable manner have our complete confidence. To them we confer a high degree of responsibility in all fields. Jointly with FDJ management, we will pay greater attention to their political training and all-round education, and we shall involve them to a greater extent in the leadership activities of the LPG's, comprehensively promote their initiatives in the FDJ mass movement, "Rationalize and Produce More, Better and Cheaper Products," and in the MMM movement, and we shall provide the youth brigades with all conceivable support.

In line with the recommendation from the FDJ leadership, we shall each year decide measures for setting up and utilizing the "Accounts of Young Socialists" scheme.

In connection with the development of interesting FDJ work, our active support goes to providing a rich intellectual-cultural and sports life and to the cultivation of our tradition, such as work with village and LPG chronicles.

Known and appreciated far beyond the borders of our country are the merits of the women during the antifascist-democratic transformation of the villages after 1945, in connection with the formation and solidification of the LPG's, and in developing the new type of life in our villages.

More and more freed from the toil and drudgery of past times, they are now holding a creditable position in the LPG's and villages, are attaining high-level production achievements, and are energetically participating in the leadership work of the cooperatives as well as in functions as people's representatives in the communities. They are taking an active part in the intellectual and cultural life of our villages.

More than ever before is it now necessary to create for the women also, and particularly under the conditions and with the possibilities afforded by socialist agricultural large-scale production, by far better prerequisites for enabling them to apply even more effectively their knowledge, their skills, and their initiatives for good cooperative work and the direction of it.

This applies to the creation of more favorable possibilities for the use of modern technical equipment in crop cultivation as to bringing about greatly eased work loads in the stables, as caring for animals has always been something with which the female farmers have been greatly concerned. But this also applies to the wishes of many female cooperative farmers and of other women in the villages to make a contribution in the supply sector through their own private plots and other forms of small-scale production.

In order to do more justice to our overall social responsibility, we are developing cooperative democracy further. We ensure a rich intra-collective life, not in the last instance through holding regular plenary, sectional and brigade meetings, and through the active work carried out by the section and brigade councils. In so doing we proceed from the fact that, along with the growing demands made in the 1980's, the creative cooperation of each and every cooperative farmer is becoming ever more important.

This, of course, also implies that such characteristics of socialist personalities as a high civic awareness, creativeness, initiative, performance readiness, as well as a high level of work discipline, combined with outstanding occupational knowledge and skills, must be clearly developed to a broader and more extensive degree in the LPG's, GPG's, and VEG's through actively promoting the "Work, Learn, and Live in the Socialist Manner" movement.

This takes place primarily in the process of comradely cooperation in the work collective for the common socialist cause, and thus for the good of our entire people as well as for the benefit of the individual.

For this, the chairmen and the executive boards of the LPG's as well as the leaders of the work collectives led directly by the basic SED organizations bear a great responsibility, which must be lived up to ever more effectively in view of the increased tasks.

**Deepening Cooperation Ensures an Effective Shaping and Mastery of the Reproduction Process**

In our agriculture, cooperation is an objective requirement for the further solidification of the socialist production conditions while it also is a power source for intensification. In our day-to-day work process there has been a



growing realization that we can tap the largest reserves for high and efficient production and the shaping of an active social life in the villages through still closer cooperation among all who participate in the reproduction process, especially in crop and animal production. Hence we shall do what we can to combine crop and animal production more closely. We are going to promote in all LPG's, GPG's and VEG's the common responsibility for stably organizing the soil-plant-animal-soil interaction and make it the focal point of our efforts. We shall make sure that the crop and animal production sections and brigades in the villages work hand in hand and organize their mutual relations in such a manner that all work to be done is always done at the right time and at a high qualitative level, in conformity with the peculiar aspects of agricultural production.

The key question for the further deepening of cooperation to us is the work of the crop and animal production cooperative councils. They have stood the test as democratic organs of the LPG's and VEG's for the management and organization of cooperative relations. A good basis for us in this are the "Principles for the Work of Cooperation Councils in Socialist Agriculture," published jointly by the SED Central Committee Politburo and the Council of Ministers of the GDR. They stimulate new creative work methods and, particularly, closer and more effective cooperation. We will on the basis of this decision enable the cooperation councils to develop even more binding work methods.

Through plenary meeting resolutions we will obligate the crop and animal production cooperation council to exercise our shared responsibility for the streamlined reproduction process in agriculture and animal production and for the coordinated planning and accounting in the field of cooperation. The cooperation council, it appears to us, is the proper institution for this. We declare everything that has been jointly discussed and decided there to be a mandatory working basis for the partners involved. Executive boards and managements must make the required cooperative or enterprise decisions and implement them in their work. All this is creative management activity; for it there can be no regulations and no central guidelines valid at all times and locations. It is multi-form, as our agriculture itself is.

For a further increase in the effectiveness of the crop and animal production cooperation council we consider it to be necessary that it concentrate to a large extent on the solution of the following tasks:

- Cooperation in preparing and defending the operational plans, balancing the division of labor relations, defense of the coordinated draft plans before the kreis council, jointly with the LPG chairmen as well as the VEG directors and the heads of intracooperative institutions. In this connection it is useful to combine the most important plan figures so as to establish the proper proportions between crop and animal production and ensure a conformity of interests among all cooperation partners;
- preparation of norms, optimum ratings, as well as solutions for the most efficient use of the material resources, including energy and the labor capacity within the field of cooperation;
- organization of the mutual competition among the cooperation partners, performance comparisons, and analysis;
- preparation of contractual prices, creation and use of shared financial funds, and the exertion of influence on an effective shaping of mutual contractual delivery and performance relations;

--support of the LPG's, the VEG's and cooperative institutions in carrying through scientific-technical progress, including coordinated rationalization and reproduction measures, and effective solutions for operational and labor organization tasks; and

--coordination of the regulations for the shaping of social accomplishments and joint social institutions.

The cooperation council itself is responsible for making decisions concerning the shaping of its tasks and work methods. Disparate conditions must be taken into account. It must everywhere become a matter of course that cooperative farmers and workers from the production brigades participate in the work and that the council is headed by whoever is the politically and professionally most experienced LPG chief. It is especially necessary to make the work more systematic, improve the work of the commissions, and solidly include the management cadres of the cooperation partners in the preparation of analyses and production comparisons as well as in the scientific preparation of decisions.

Confident cooperation requires the shaping of solid and mutually beneficial economic relations in production, the reproduction of the labor capacity and the material resources, as well as those in the social domain. Here each partner must give his best and must conscientiously meet the jointly prepared and coordinated yield, performance and cost norms. Nobody must live at the expense of someone else; but neither must anyone leave anyone else behind. Under such conditions, the creation of joint funds for mutual aid and assistance in connection with investment and reconstruction projects, including a joint reserve fund for overcoming blamelessly incurred financial losses, is most effective. In making these funds available, we proceed from the economic possibilities of the various cooperation partners and shape them methodically.

We have in recent years created cooperative installations such as, for instance, agrochemical centers, inter-enterprise construction organizations, soil improvement cooperatives, inter-cooperative or inter-enterprise animal production facilities, so as to solve certain production tasks together more effectively and improve working and living conditions. We are particularly interested in seeing to it that our LPG's with their cooperative installations, which dispose of considerable production capacities, cooperate still more rationally. It must be the task of all authorized representatives' meetings and executive boards democratically to consult with each other and to make decisions concerning the basic problems of the work and the plans of these cooperative installations. This first of all means that the use of the funds and the work capacities of the cooperative installations must be strictly concentrated on the fulfilment of the plan tasks, improvement of the production bases, and ameliorating the working and living conditions. We shall also methodically use these institutions for managing peak workload situations. We are combining this with our bringing about such economic relations which provide great overall benefits for the participating LPG' and VEG's. This also includes that the LPG's and VEG's decide on the utilization of the profits made by their cooperative installations.

We also consider it to be an economical practice to have us take part with fodder and animals in the existing industrialized animal production installations, because it is possible to make investment and personnel savings that way.

We can thereby dispense with using a number of worn-out stables no longer worth reconstructing, which allows us to concentrate the investment funds on other requirements of the reproduction process.

In our efforts to improve cooperation, we will have recourse to all good experiences, including those gathered in agricultural-industrial associations, cooperative association, and other forms of agricultural-industrial cooperation. In connection with all these problems, an outstanding role, organizational, inspiring as well as supervisory, should be played by the kreis agricultural and foodstuffs production councils.

#### Good Cooperative Work Through Strict Application of Socialist Industrial Management

For accomplishing the needed production growth, a complex enforcing of socialist industrial management in all LPG's, VEG's and cooperative facilities is a crucial prerequisite. We therefore require all management cadres to work in accordance with these principles. We have to create such production and work conditions that we master with a great deal of initiative, in our socialist competition, the requirements for field and crop cultivation, livestock husbandry, technology and economy, and attain high yields and production levels at low costs to ourselves. It has been said in the past that farmers are good at figures, to which we can only add: let it be the same in the future! This is the best way to exploit production resources and overcome unacceptable production differentials rapidly. The measures hitherto introduced for this purpose should be realized with greater determination.

In speaking of a more mandatory form of cooperative relations we imply that the best LPG's and VEG's be made even more productive and all the others be brought up to as high a level as possible.

This is the way to overcome unjustified disparities. It includes:

- Performance comparisons on the basis of all necessary parameters;
- cadre training with the help of advanced partnership practices;
- assigning expert cadres of productive LPG's and VEG's to LPG's where the yield, performance, and effectiveness levels are still inadequate;
- operational instruction in the experiences of the best performers and a mandatory assumption of these experiences wherever conditions call for it;
- help provided by advanced partners in forming an effective industrial organization; and
- help in efficiently introducing the latest science and technology data.

In this connection we expect from the state organs, kreis councils, and especially also from the agriculture and foodstuffs industry councils more extensive help and more qualified guidance and assistance relevant to the concrete requirements of the LPG's. Unjustified performance differentials are nothing but a squandering of cooperative wealth. The practice of squandering, however, has always been alien to us farmers.

One important task of socialist industrial management is an exemplary labor organization in regular production brigades and departments. As our experiences have confirmed, the given conditions in a territory, the location of village boundaries, the production sites, crop rotation, acreage arrangements, and transport routes are bound to determine to a substantial extent the labor organizations in departments and brigades. With these forms of territorial and labor organization, we are working for high-level and effective production in accordance with our joint responsibility as plant growers and livestock producers and at the same time substantiate the farmer's traditionally close ties to the soil, the animals and the community in which he lives. Particularly because the internal organization of our cooperatives and the gradual transition to industrialized production methods is of such great importance for coping with the streamlined reproduction process, we consider it necessary to shape everything in a rational manner, with foresight and in accordance with the increased demands made by our national economy. This includes the retention of what has proved to be effective and a broader application of new experiences. Full capacity use of equipment, an extremely economical fuel consumption, and a rational use of the labor capacity are achieved most effectively if one pays proper attention to the territorial conditions and optimizes transports. This will result in better production supervision, a more direct interest in, and a greater sense of responsibility by the farmers for, soil fertility, yields and production, lowering costs, and exemplary order, safety and discipline. This is cooperative democracy in action and a good prerequisite for an energetic involvement in socialist competition. We are including in this the contest for the title of exemplary order and safety enterprise or work area.

It is in accordance with the tried and tested cooperative management principles to carry through the socialist performance principle and to establish the direct connection between the production and effectiveness level and the level of remuneration and premium awards. There are criteria which a good farmer never loses sight of, such as quality, yields, savings in diesel fuel, tires and other materials, the most effective use of fodder, and the least possible losses in all areas. For this purpose we will further perfect the work with norms and rate bases, and we will to a greater extent make use of such tried and tested forms as log-books and personal account books. We expect that in all agricultural production cooperatives the executive boards will, in accordance with the statutes, make arrangements stipulating that the performance principle be applied fully to all management cadres.

In order to enhance further the effect of material incentives and accountability, we will in our plenary meetings decide to differentiate the year-end payments and bonus awards among the brigades and departments in accordance with their share in the fulfilment and overfulfilment of the plan and in cost reduction. With the yield and expenditure planning as well as with pertinent account keeping and a fixed allocation of material resources according to brigades and departments, we are creating the necessary prerequisites for this.

In order to penetrate more deeply into the economical practices of our LPG's, VEG's and cooperative installations, we will for our management decisions make a more effective use of cost accounting, planned-amount versus actual-amount comparisons, and economic analyses. Intra-enterprise economic account-keeping is thereby deepened at the same time, and the socialist economy principle is enforced more consistently.

The scientific centers of the bezirk councils, the industrial management consultative services, and other scientific installations must assist us still more in the dissemination and perfection of practical solutions, especially in production organization, scientific labor organization, rationalization of management and administrative work, and material incentives. We also expect more assistance in assessing production and efficiency results at the various locations, in conducting performance comparisons, and in tapping reserves for overcoming unjustified performance differentials.

#### Joint Efforts for Improving Working and Living Conditions in the Villages

Through high and effective production we create the prerequisites for a further improvement in working and living conditions. This involves a grand and beautiful community task for all villlage personnel: the local people's representations and their organs, the cooperation council and its commissions, the LPG membership meetings, the executive boards, all parties and organizations in the village--in short, every citizen who wants to have a beautiful village and a more cultured life. The citizens' initiative, "More Beautiful Towns and Communities--Join-In!" is a movement that is proper for each village. Yet we should at all times proceed from the fact that the foundations for beautiful villages are fulfilled plans and high efficiency in the fields and in the stables.

Jointly with the local people's representations we are organizing territorial rationalization for a further improvement of working and living conditions. The joint use of means and capacities produces the best results in it.

The further improvement of the material working conditions should proceed hand in hand with a high level of performance readiness, especially through a reorganization and reshaping of at least 150,000 jobs for the sake of improving labor safety and reducing heavy physical and hazardous work, especially for our female farmers. It has been found useful to shape the social relations in cooperation in accordance with uniform principles.

We pay special attention to improving housing conditions and to the typically rural character of the village. We are making it our objective to surpass the task decreed by the 10th SED Congress and to create with our capacities an additional 5,000 dwellings through new construction and/or modernization. In carrying out all these measures, we will proceed on the basis of the community design concepts to make economical use of the land funds and use primarily old structures and gaps in built-up areas in our localities. By financial and other measures we encourage individual initiative, especially among the young cooperative farmers and workers, for remodeling and enlarging dwellings and the building of private homes.

In the VdgB-BHG we shall support obtaining additional construction materials for remodeling, expanding and building new homes and villages through increased private efforts and ensure the supply in protective work clothing.

We recommend that the kreis councils and the agriculture and foodstuffs industry councils provide more support in the creation of living space to those LPG's which, due to their insufficient labor capacities, have been unable to fully exploit their production conditions.

Proceeding from the good experiences gathered in connection with designing our villages and their intellectual-cultural life, we recommend that every LPG, GPG, VEG, the cooperative institutions and all other activities in the villages develop their cooperation with the community representatives and the National Front committees in such a manner that the working and living conditions as well as cultural activities and sports get another boost, cultural and social institutions are put to better use, and necessary expansions are planned and carried out jointly. We are of the opinion that an absolute requirement for having a beautiful village is also the maintenance of cultural-historical places and involvement of its inhabitants in folk art. Let us therefore, within the scope of cooperative and village festivals, lead our farmers' choral and folk-dance groups and our music and literature circles to a new life. The friends of the culinary arts and those active in handicrafts must also come into their own.

For this, and especially also for the housing industry, the food supply, and children's and adults' vacation care, we will use the means of social consumption. This way we can further improve the rural living and working conditions and gradually bring them closer to the urban ones.

Side by side and in alliance with the leading working class, we are implementing the 10th SED Congress decisions. They show us the sure way to be followed for the further shaping of the developed socialist society in our GDR.

Our farmers' motto is this: "The working class and its Marxist-Leninist party and our people may always depend on us!"

5885

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HUNGARY

CSIKOS-NAGY: ECONOMIC SITUATION DIFFICULT, WILL IMPROVE IN 1984

Budapest MAGYAR NEMZET in Hungarian 28 August 82 p 7

[Interview with Bela Csikos-Nagy, chairman of the National Material and Price Office, by Judit Racz; no date or place given]

[Text] No one applauds consumer price measures, but whoever has some kind of economic knowledge and follows the developments of economic life understands the inevitable nature of such emergency measures. A strict objectivity was characteristic of the justification for the most recent price measures. We spoke with Bela Csikos-Nagy, chairman of the National Material and Price Office, on price policy, the emergency measures, and the international background.

[Answer] External and internal causes alike made it necessary to undertake the August measures, by reason of which the consumer price level will rise almost 2 percent in its annual effect, Bela Csikos-Nagy emphasized. This measure countered the unexpected rise in wages and payments. Now and for several years we shall be able at the most to maintain the living standards we have already attained, but in no way shall we be able to raise these standards. But still, real wages increased last year by 1 and one-half percent. Our economy is not in a position to permit this for ourselves. With the price measures we wanted to check a repeat of what happened in 1981. This refers, of course, to the social average. There are many whose wages rose less than average. And there are many whose money income has been impaired more than average by the increasing expenses.

It was also justified to refer in the announcement to the fact that the fulfillment of the economic plan is proceeding under unexpectedly difficult foreign economic conditions. Unfortunately, this is how it is. Our problems are rather great. And we also had to call our society's attention to this.

Conversion

[Question] It would be no use to deny that people are reacting sensitively to the various tightening measures. A role is played in this, of course, by the fact that disturbing reports are arriving daily from various points in the world.



[Answer] The more nervous atmosphere is understandable. The adjustment of our economy to a world economic environment which has for us become less favorable is underway. Naturally, this is disturbing to people. For decades they have become used to seeing everything always expand and increase, and to finding the rate of progress too little. But now they need to strive and struggle to maintain what they gained, while in some areas consumption must even decline. The conversion is not without pain. Sometimes it is also accompanied by impassioned debates.

[Question] How can we actually characterize the situation of the Hungarian economy?

[Answer] There is no uniform standard for doing this. Those who evaluate it on the basis of the growth rate may think that the Hungarian economy is in bad shape. We are stagnant. This is not good. But with the post-1956 economic policy we succeeded in creating economic relations for the maintenance of which it is worthwhile to work.

In international judgment the Hungarian economy shows a characteristic picture. At the risk of some simplification, one may summarize it as follows: the situation of the Hungarian economy is basically much better than judged by certain experts in capitalist countries, but not nearly so good as believed by tourists in Hungary from friendly countries.

[Question] Reports appear regularly in capitalist countries which have a positive judgment about our economic policy. What is your opinion of these?

[Answer] Hungarian economic policy reckons adequately with realities. This is what brings international acknowledgement. As of now, our foreign trade balance is favorable. But we are working on liquidity problems, and this is what has caught the attention of Western financial circles and business men.

#### Challenge

[Question] Couldn't you speak of this a little more?

[Answer] Let us begin with the fact that Hungary is a debtor country. In itself this does not tell us anything, for at least 160 of the 180 countries in the world are debtors. But in addition Hungary is a country which has always taken debt servicing seriously, and therefore it belongs among the so-called good debtors.

There are several possibilities for the participation of foreign money sources. One is capital import and the other is credit. We belong to the camp of the socialist countries. As a consequence of this obligation, we cannot count on capital import. And moreover, in CEMA cooperation those countries require Hungarian investment contributions from whom we ask for an increase in the import of raw materials. The capitalist countries with a capital surplus are oriented toward the Third World.



Credit sources remain. Up to now, in this relation as well, the possibilities have opened mostly for short-term credits only. The creditor knows, of course, that he is obligating these monies for a long time, but with the periodic credit renewals he desires to keep the security of his money under control.

Since 1981 we can observe a new international financial regime. On one hand, credit interest rates have gone extremely high, and on the other hand in wake of the Polish events the West has made credit renewals a matter of political challenge. This is a completely new phenomenon and undoubtedly a form of commercial war.

There is no economy, no matter how soundly based, which would not be shaken up if it had a part of its operational capital suddenly taken away, and in general if those daily financial operations on which the development of its economy is built are politically examined.

From the viewpoint of economic development one could list various leading countries in the capitalist bloc which are less stable than ours but have no liquidity problems. The difference is that these countries are linked into the capital and credit system of the world economy.

#### Commodity Supply

[Question] Why do the friendly socialist countries see the situation of the Hungarian economy as better than it actually is?

[Answer] In certain socialist countries the economic problems are also expressed in population supply problems. If we review the balance of the economy and the population's commodity supply in organic relationship, it may actually appear that the Hungarian economy enjoys an advantage. But in truth, this is not the situation. This is all the more so because in CEMA it is the Hungarian economy that is the most foreign trade sensitive, and also in natural resources it is the one that is most dependent on imports. But our economic policy proceeds from the principle that the commodity supply for the population must be assured in an uninterrupted way as far as possible in every situation even when the country's economy is struggling internationally with difficulties. For us, living standards do not simply mean wages and payments but also the commodity in organic relationship with these standards. Therefore, we do not plan an increase in living standards when we cannot improve the population's commodity supply.

[Question] But a part of the concerns are linked with the fact that it may not be possible to maintain the population's commodity supply because of international credit tightenings.

[Answer] Now and for some time we shall be forced to contend with tighter money management and market supervision. The enterprises are complaining about drying up of profits from time to time. They cannot have as many imports as before.

But I do not believe that the extreme situation characteristic of the world economy today can last for long, and I would like to hope that we will ride out this temporary phase without serious shocks even though with loss of blood.

[Question] It is said that the huge number of tourists in our country is drawing off the commodity base from the population.

[Answer] One of our most important tasks is that our population should judge this matter correctly. Therefore let me refer--even if not exactly but with approximation to the magnitude--to the interrelationships. Of the various products purchased in our country by tourists, we are able to export only one out of every five, and of these exported products we can receive more in nine instances out of ten if they are bought by tourists than if they are exported. That is to say, tourist trade expands on one hand the scope of products that can be marketed for foreign exchange and improves on the other hand efficiency. This is why countries do everything they can to develop tourist trade.

From the viewpoint of balanced foreign currency management, it is all the same whether the tourist purchased forints for dollars or rubles. We need both currencies alike.

I believe we should be happy that tourist trade is on the way to development. This, too, has an effect of making our economic policy organize management by keeping a smooth commodity supply in mind.

#### Prognosis

[Question] When can we expect economic development?

[Answer] We must assure the operation of the Hungarian economy amid extremely complicated and contradictory processes. But there is something reassuring. Our system is such that it makes possible a flexible adjustment to the changing and, we hope, sooner or later improving international conditions.

I would not like to fall into the same mistake which characterizes most of the research institutes dealing with economic forecasts. They promise a turn--more exactly our recovery from what many conceive of as an economic crisis--first in the second half of 1981 and then in the second half of 1982. But I shall repeat what I have often emphasized: the year 1984 may be the year of the turn for the Hungarian economy. Even after this, growth will not be spectacular as it was in 1967-1974, but even a growth of around 3 percent in domestic consumption of the national income may create the optimism which we need both from the viewpoint of the development of initiative and the undertaking of sacrifice.

6691

CSO: 2500/387

NECESSITY OF CONSUMER PRICE HIKES EXPLAINED

Budapest HETI VILAGGAZDASAG in Hungarian 14 Aug 82 pp 4-6

[Interview with Bela Szikszay, deputy chief of the economic policy department of the MSZMP Central Committee, by Matyas Vince; no date or place given]

[Text] The consumer price increases announced Sunday night put very sharply at one blow into the center of interest the achievements of the Hungarian economy, and the related personal and enterprise incomes. How have our internal weaknesses, or the further deterioration of the world economic situation affected our economic situation? Do the increasing East-West tensions make their effect felt in our foreign economic relations? What made it necessary to raise prices? We discussed all these things with Bela Szikszay, deputy chief of the economic policy department of the MSZMP Central Committee.

Matyas Vince: Before I ask a number of questions about the price increases, I would be interested to know how you would evaluate the present situation of the Hungarian economy.

Bela Szikszay: The evaluation must be made from the viewpoint of our two basic economic policy goals. Namely, have we succeeded in making further progress in improving the economic equilibrium and to what extent have we succeeded in protecting the living standards of the population? In the first half year, economic processes developed less favorably than calculated in the plan. We must study this variation from two aspects, production and revenues. The increase in production scarcely reached the target, whereas both the increase in the population's income and in the expansion of enterprise profits was greater than planned. There was more money for consumption, investment and stockpiling. For example, the monetary income of the population in the first six months of the year grew more rapidly than planned, increasing by 6.5 percent as compared to the first half of last year. Looked at in another way, this means that there were more goods for consumption on the domestic market than the plan had counted on, and as a consequence there were fewer goods for export than planned. Our dollar account exports are essentially as great as in the first half of last year, but despite this our foreign economic balance improved because our dollar account imports declined as compared to the first six

months of last year. On balance, it may be assumed that in their totality and in important particulars the targets of the economic plan may be fulfilled for the year as a whole, but this is too little because the requirements have increased by leaps and bounds as a consequence of the deterioration of the foreign economic conditions.

Matyas Vince: Do you mean that even if the original targets are fulfilled by the end of the year this will not be enough for the Hungarian economy to achieve the two main goals you have mentioned of improving the foreign economic equilibrium and safeguarding the living standards?

Bela Szikszay: Essentially that is so. This is the problem that economic management is struggling with. For years our economic situation has been characterized by the fact that we are making progress in production, in the improvement of quality indexes, in export results, and this must be acknowledged. But this is not how much the world expects of us, it is demanding much greater achievements. Thus despite the improvement, our problems are multiplying and in many instances growing more difficult.

Matyas Vince: How much worse is the foreign market situation this year than anticipated, and where does the deterioration affect us most sensitively?

Bela Szikszay: We need to emphasize three areas. One is the development of dollar account exports the second is socialist imports, and the third is the development of international finances. Our socialist imports this year will be the same as last year, but in several important products--including oil, metallurgical products and other basic materials--our purchasing possibilities will be narrowed, and this will have an unfavorable effect on the development of our economic equilibrium.

As for our dollar account exports, the difficulties are greater than we imagined in the export of metallurgical products, light industry products, and certain chemical industry commodities. At the same time, the export of agricultural and food industry products may develop rather favorably--although the prices are not the best--and for the first time in years the export of machine industry products may increase significantly. Unfavorable effects are evident primarily on the markets of the developed capitalist countries, where it is very difficult to sell because of the prolonged crisis, and also because discrimination is growing. Here in many sub-branches, the maintaining of the existing level represents a significant achievement. The economic crisis of the capitalist world is manifested in extremely low, and sometimes declining, prices. Our nonruble account export price index for the first half of the year shows a decline of more than 3 percent, that is to say, we had to sell our products on the Western markets at prices 3 percent less on the average than last year.

Matyas Vince: Can the deterioration of the international political atmosphere be felt in this area of our foreign economic relations? Are the increasing international tensions accompanied by marketing and foreign trade problems?

Bela Szikszay: The increasing tensions in the world political situation, of course, do not favor a growth in exports, or even imports in the case of some products. At the same time, I may say that the effect of these factors is not so great as to have a basic influence on our trade.

In fact, Hungarian producers and foreign traders have unexploited possibilities if they can improve the delivery conditions--I am thinking here primarily of the exactness, rate and quality of delivery, and the service offered. For this, of course, it is necessary to have extremely intelligent foreign trade work and a very flexible producer attitude. In this recessionary situation only those products can remain on the market for the most part which are delivered on time and in good quality. Products that do not meet these conditions will surely be forced out of the market.

As for the third area--in recent times deteriorating the fastest--most characteristic of our financial relations with the capitalist world are the political considerations and their unfavorable effect on the development of relations. The pressure against socialist countries has been stepped up in the financial world, and this weakens our credit raising possibilities to a great extent. This is completely unusual and something that could not have been foreseen, for on the basis of the favorable judgment of the Hungarian economy we were for years able to acquire necessary credits. The worsening of the international financial conditions was characterized by the large-scale withdrawal of deposits from the Hungarian National Bank by foreign banks. All this restricts our possibilities in foreign exchange mobility. Extremely high interest rates are another factor with negative consequences for the international financial situation and for ourselves. This is hard on all countries that borrow, and for Hungary it has increased in magnitude our service charges.

Matyas Vince: You mean the total sum which the Hungarian National Bank repays annually as interest on credit and amortization of the credit installments that are due?

Bela Szikszay: Yes. In this year and the future, we shall have to repay our borrowed money in greater ratios, and in addition to these great amortization sums we must also pay extremely high interest charges

In the world today, credit is a natural and essential means of conducting trade. Without credit, world trade cannot be as great as it is. It can be maintained with complete certainty that the economies of very few countries could stand on their feet if lasting and basic difficulties were to rise in the sphere of international credits. In any event, it will require an extremely great effort from the Hungarian government and the enterprises for us to maintain our ability to pay in this situation and to meet the undertaken amortization obligations. Thus from the international financial aspect a strong and extensive pressure is being exerted on the Hungarian economy, which could not have been foreseen and which we could not have reckoned with when the plan was under preparation. This deterioration of conditions is unprecedented in extent and pace; it became strong this spring and has continued unchanged to the present.

Matyas Vince: In knowledge of the very serious and partly unforeseeable changes in the external conditions and of the development of internal processes, what has the economic leadership done in the past several months for the realization, nevertheless, of the plan's main goals?

Bela Szikszay: The gradually increasing world market requirements made it necessary to draw several important economic policy and economic management deductions. For the economy to operate smoothly in a situation like this, it is necessary to rely to a greater extent on our internal resources. Otherwise for the financing of our dollar-account foreign economic relations we will need a much greater foreign trade balance surplus than estimated, export surplus, and import savings. Moreover, the role will increase for stricter regulation of the internal economic processes.

Sensing the deteriorating foreign economic conditions and the development of domestic revenue processes at variance with the plan which could be ignored in other instances but cause problems in the present situation, the government took broad-scale and coordinated economic measures about a year ago. These include modification of the forint rate of exchange for convertible foreign currencies, raising of the domestic interest rate, repeated tightening of the investment formation of enterprise purchasing power, and keeping restraints on imports. The goal of the measures is for the government to direct the economic, including revenue, processes into the planned channel, assure the maintenance of the country's ability to pay, a revenue growth proportional with achievements, the regulation of purchasing power, and promote the export and import development necessary to improve the foreign economic equilibrium.

The measures strengthened the implementation of the normative prescriptions of the economic regulators and the mediation of the higher economic requirements to the enterprises and the institutions. At the same time, they strengthened, however, the direct central effect on enterprises and on the partial processes of economic life. I would like clearly to establish that many measures were born under the effect of compulsion; these were economic measures designed to bring about a rapid result, but in the given situation they were unconditionally necessary. The necessity for these measures is also shown by the economic processes which have developed in the past half year.

After the development of the effect of these measures and after the improvement and consolidation of the foreign economic equilibrium, some of the measures that have been taken are gradually losing their right of existence, and the permanent principles of our economic management system and the lasting solutions can be implemented.

Matyas Vince: Finally, why was it necessary to have another consumer price increase?

Bela Szikszay: The price increase which has been carried out is organically related to other government measures. One goal of the price measures is directly to promote improvement of the foreign economic equilibrium. If we succeed in directing consumption by the population into a rational channel, this

can contribute partly to import savings and partly to an increase in important export commodity goods. For example, if the consumption of coffee--or its increased consumption--develops in harmony with our economic possibilities, it will be possible for our country to economize by virtue of a smaller or slower increase in coffee imports. Here is another example: if the consumption of flour and bread is moderated a little, this will make it possible for us to increase our exports of this important product, and thus also increase our foreign exchange earnings. Another part of the consumer price increases will contribute directly to the improvement of the foreign trade equilibrium. An increase in transportation rates will not, to be sure, increase our export possibilities or restrain our imports. But its indirect effect is still important because it ties down purchasing power, and therefore the population will buy less of other products, which can therefore be exported or can lead to import savings.

Matyas Vince: This undoubtedly improves the foreign economic equilibrium, but it hardly raises living standards.

Bela Szikszay: Of course, in passing the consumer price measures, the government weighed as a basic point of view the important political goal of guarding the population's living standards. However, when we speak of this outstandingly important goal, we must emphasize the achievement aspect of it in management. We cannot guarantee the level of living standards attained by the population independently of work achievement. As I have already said achievements develop around the lower levels of what has been planned. It appears in no way justified from the viewpoint of achievements that the real value of the living standards, wages, and incomes of the population should grow to a greater extent than called for in the plan. Thus there was also a reason like this for the consumer price measures, namely that the population's income over and above the plan should be reduced somewhat, and thus the real value of income would develop in harmony with achievements.

Matyas Vince: Ought we not try instead to see that the population's income should develop according to achievements, and in this way we would not undertake measures for reducing real income after the fact?

Bela Szikszay: The question is justified. Actually, the matter in question is that economic management must devote greater attention to assuring an outflow of income proportional to achievement. But this year already a significant part of surplus incomes has developed above the plan. Relying on last year's profits, the enterprises have paid out in the first half of the year more in way of wages and bonuses than planned. Therefore, hardly any way existed this year to keep the real value of incomes at a level adjusted to achievements other than by increasing consumer prices. And still, the requirement is highly justified that we should develop the wage and earnings regulation system--beginning, if possible, in 1983--in such a way that we will not have an increase in incomes of such an extent that it will not be buttressed by achievements.

Matyas Vince: Finally, what will the price increase solve, and what will it not solve?



Bela Szikszay: The increase in consumer prices does not bring joy to anyone, and in itself it does not signify any kind of solution. It is a necessary, compulsory step in our situation, but it is not enough to overcome our problems. But if we evaluate the consumer price increase as a part of a series of measures taken by the government, it can clearly be shown to have an important role in the shaping of a more rational consumer attitude, in the implementation of savings, and in the realization of the concept that it is possible to live better, and even to maintain living standards in a continuously deteriorating situation only by means of substantially higher achievements.

According to the National Material and Price Office bulletin of 9 August, the price of citrus fruits, cacao and chocolate will increase by 25 percent on the average. For example, 10 decagrams of cacao powder will sell for 11.30 forints instead of 9 forints, and hazel nut and milk chocolate for 23.80 forints instead of 19 forints. One kilogram of lemons will cost 30 forints instead of 25 forints, one kilogram of oranges 39 forints instead of 30 forints, and one kilogram of bananas 43 forints instead of 33 forints. Flour and products made of flour will cost on the average 20 percent more. In the future, a 5.40 forint of bread will cost 6.40 forints, a crescent roll and a bread roll 60 fillers instead of 50 fillers. The price of fine flour has increased by 1 forint, and the price of hulled, unpolished rice has increased by 6 forints, or to 32 forints.

On 1 September, long-distance passenger fares will increase on the average by 100 percent. The cost of a full-price railway ticket will be 100 percent higher and a bus ticket 120 percent higher. For example, 100 kilometers of travel on a passenger train, second class, will cost 26 forints more, and 200 kilometers 50 forints more. Railway commuter tickets will cost on the average 80 percent more, and bus commuter tickets 100 percent more. The measures include the cancellation of certain travel discounts, or the reduction of others.

According to experts, consumption by the population will not increase or decline in response to the present, the September, or the end of July price increases. It may be expected that as a consequence of the average 40 percent price increase for coffee at the end of July, consumption will not decline or increase at least for a half year or a year. If this actually materializes, it will result in a savings of 12 million dollars for coffee imports. Last year the coffee drinkers in the Hungarian population consumed 80 million dollars' worth of coffee. Hungarian foreign trade pays annually about 70 million dollars in hard currency for citrus fruits; here we can expect a halt in the increase in consumption. It is likely that flour products will decline to the usual extent, and here we cannot speak of substantial savings.

As a consequence of the increase in the price of coffee and the price increases being introduced now or in September, the total additional expenditures of the population will come this year to about 4.5 billion forints. That is to say, they will in the next 5 months pay this much more than it would have if the prices had not changed. Calculating on basis of a population of 10 million in three-member families, it means that in the second half of this year a family can count on additional expenditures of 200 to 300 forints if it buys as much as before or travels as much as before.

In industry the average wages increased by 7.8 percent, on the average more than 300 forints, or to 4,300 forints in the first half of the year. Likewise in agriculture incomes are greater than planned. Real incomes, of course, have increased more modestly, for the consumer price level increased in the first half of the year by 5.8 percent, partly in response to this year's and partly in response to last year's price increases. In the remaining part of the year, the end of July, the present or the September price increases will raise the price level about 1.1 percent.

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TOUGH DOMESTIC CREDIT POLICY TO INCREASE PRODUCTIVITY

Budapest MAGYAR MENZET in Hungarian 11 Aug 82 p 7

[Article by Laszlo Gergely: "A Stricter Standard for Bank Credit"]

[Text] "The Hungarian National Bank has limited or denied short term credit to enterprises where it found lack of organization or unjustified stockpiling." MTI communique, 3 August 1982.

Miklos Magyar, economic director, Ganz-MAVAG: "One cannot imagine a national economy with difficulties and problems up above and backwaters down below in the enterprise sphere. I do not believe anyone doubts that there is a need to tighten up, to limit excessive purchasing power.... Insolvency began for us on 23 April 1982--the Hungarian National Bank repudiated a part of valid credit agreements signed earlier. It is the financial behavior of Ganz-MAVAG to want to pay its partners constantly. But the so-called 'standing in line' began with the priority settlement of the bank credit liability. There was a time this summer when we could pay our partners only with a 4 week delay; now the step lag is only 2-3 weeks. Forty percent of our production plan was fulfilled in the first half year. Our receipts were not time proportional either. The motor trains to be shipped to New Zealand caused some of the financial tension at the enterprise since they counted as stockpiled finished goods. They are expected to be not in the port but on the ship on 12 August. Then we will be able to count the counter-value as a collection.

"We consider the bank decision, tightening credit, to be a warning sign, a measure supplementing the regulators. I am convinced that we can meet our economic goals this year, and then we will again be a good customer of the bank... What if I were at the bank making the decisions? I might have selected a more fortunate way to tighten up, but even I would not have said that the enterprise was ready to pay on schedule in the present situation--with the debts. That is, even I would not have given Ganz-MAVAG a loan big enough to permit constantly settling liabilities on time; I would have encouraged an improvement in management with less credit."

Oszkar Ledeczy, director, Signal Technology Machine Factory: "I agree with a tightening of credit conditions to improve the balance situation. But in the case of each request for a loan it might have been better to analyse more

deeply the developmental and business policy of the enterprise. We became an independent enterprise in 1981, separating from the Csepel Works. We were stable, but we inherited a 2 million forint reserve fund make-up obligation and a 24 million forint medium term circulating fund repayment obligation. The bank and the ministry recognized that we had had no developmental investments for 15 years, so what was justified was made possible. Back in the Csepel days they had made the 24 million payable on 30 September of this year. But we get no developmental support until the fate of the debt is decided; the bank has still not taken a position.... We were good debtors in 1981; a profit of 7 million was generated from interest savings. Since March of this year we have been standing in line too-but our financial difficulties will end by the middle of August. Of course, we are being justly punished for our stockpiles.... We fulfilled 55 percent of our annual receipts by the middle of the year! We would have liked to increase our capitalist export even more than planned. In December 1981 we contracted with a Yugoslav firm to deliver a machine line consisting of five carloads of equipment in 3 months. The equipment is ready, but it stands here in the courtyard--the Yugoslav partner is insolvent. A Nigerian state order increased our stockpile of finished goods also; we made 20 million forints' worth of machinery for a cable factory to be delivered by Hungary. Nigeria, because of the decrease in oil receipts, repudiated the state credit and the Hungarian export went up in smoke. Since then we have been seeking a new purchaser with capitalist exchange for our special machines. We had to assume the business risk--in the form of a denial of bank credit also...."

What path led to this and why did the financial institution react in this way? The outside observer is inclined to see an authoritative role behind the decisions. Is this just? We turned with our questions to Istvan Dancs, business director of the bank. We are quoting him:

"We carry out both issuing and bank credit tasks. The measures fall in the sphere of short term bank credit operations ensuring a planned, undisturbed supply of money for production and trade. We base these credit operations strictly on business policy thinking; fulfilling some sort of authoritative role is not involved."

The business director talked about an undisturbed supply of money. This money, which the bank provides to the economy by issuing short term loans, is not income. It cannot be ultimately used for personal or public consumption or to increase the property of enterprises or cooperatives; and it must be repaid from receipts. Still, it is an indispensable tool, making it possible for many enterprises and cooperatives to successfully conduct profit making operations. What does the authorization or denial of such loans and the regulation of term, interest and other conditions for them mean in the life of an enterprise? It means that the bank can motivate the quality of the management needing credit, thus can have an effect on the development of the economy as a whole also. All this, of course, is a real process of economic life. To what process is the financial institution reacting by tightening credit conditions?

"The credit system is an important subsystem of the system of economic regulators as a whole," Istvan Dancs answers. "It follows from this that the

advancing of credit must be in harmony with the characteristic aspirations and emphasis of price and income controls. The short term credit operations significantly influence the economic operations of the enterprises and co-operatives. It is obvious that fulfillment of the 1982 economic plan is taking place under conditions more difficult than expected; improving the balance requires greater performance than prescribed. At the same time, the personal incomes and investments flowing from the enterprises and cooperatives are exceeding what was planned somewhat. In some places the increase in stockpiles is more than planned and elsewhere they are not decreasing to the justified level."

Economic guidance has reacted to all this a number of times, but the performance of the economy has not increased to the desired degree, while enterprise money flow and accumulation have increased. Still, all this does not seem to be a question of bank credit, primarily of credit for circulating assets. There is need for a continual money supply even in a difficult economic situation. So according to what viewpoints did the Hungarian National Bank tighten its credit policy?

"Keeping the economic processes on the prescribed track is not exclusively a question of credit operations," Istvan Dancs says, "but neither can it be made independent of them, because the short term credits offered or denied can effectively aid or hold back certain significant deals of the enterprises requesting credit, indeed aid or hold back all their activities. Of course, what is involved is not a general, mechanical tightening of credit conditions. We will continue to aid and support, by offering credit, development in a correct direction, economical export expansion, wise conservation of resources and business goals intended to satisfy solvent demand in a planned way. But we will make it more difficult for and force into harder management conditions those enterprises where the goals and the methods used do not promise this or indicate this."

"So the tightening by the financial institution is a sort of supplement to the regulators...."

"We hope for two things from the stricter credit conditions, from the way in which credit is offered: More enterprises and cooperatives than before will devote greater attention to using their own internal resources, to ending the losses appearing in stockpiling and utilization of resources. And we might hope that the customers and shippers in regular contact with one another will fulfill their mutual obligations more precisely and more quickly, that their cooperation will be more effective. The stricter bank behavior now being implemented in short term credit operations has already brought results which can be measured statistically. The increase in stockpiles has moderated and outstanding credit has decreased. It is true that there has been an increase in the number of enterprises and cooperatives struggling with daily liquidity problems, which do not have in their bank accounts sufficient cover for their daily expenditures and to satisfy regularly and without difficulty their payment obligations; indeed, which do not have sufficient strength to repay their loans due."

All this is expected to have an effect on the practice of the enterprises so that, in the interest of solving or bridging over their financial difficulties, they will not first of all knock on the door of the bank but rather review their own internal resources better. Much financial confusion can be avoided or averted on the way by moderating their expenditures. And the stricter bank measures, a "sparing" credit practice, will encourage this more rational management.

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DOMESTIC TRADE IN FIRST HALF YEAR DESCRIBED

Budapest FIGYELO in Hungarian No 33, 19 Aug 82 p 5

[Article by Mrs Dr Gúsztav Novak: "Domestic Trade, Supply and Demand"]

[Text] One of the important factors in our living standard policy is to maintain or perhaps improve commodity supplies. Today it is no longer enough to "produce" a definite amount of goods, it is also necessary to improve quality, attend to the appearance of new products, and develop a supply with a more differentiated price range. The domestic producer must now see that we can no longer produce and sell as much of a given product as in previous years. Trade must also expand its variety, and moreover under conditions where the importance of economic inventory management is increasing.

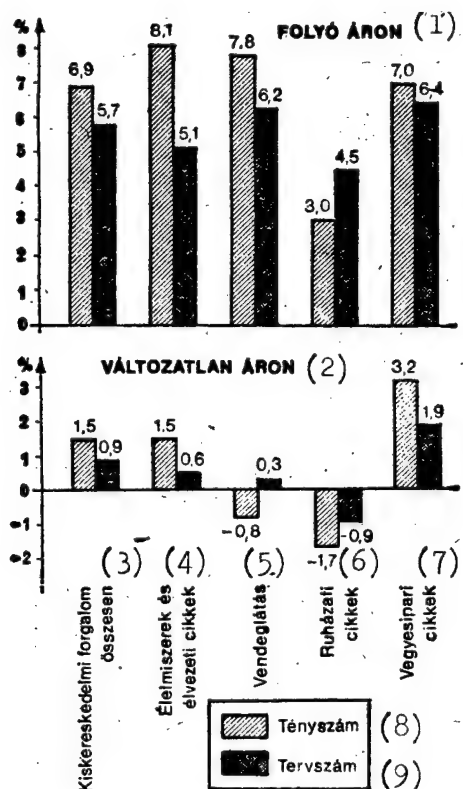
To Adjust More Rapidly

As compared to earlier times the importance of a flexible adjustment of change in demand has increased substantially. But the time span must be shortened because we cannot realize the daily tasks for the production of the appropriate commodity supply with a reaction to change that is measurable in a number of months or years.

For the time being these requirements will be realized only slightly on the consumer market although the rate of growth in retail trade for the first half of 1982 exceeded the goal in the economic plan. This is not characteristic, however, for the whole retail trade, rather on one hand for the food and restaurant area--where trade has increased primarily in response to a price increase--and on the other hand for the area of miscellaneous industrial goods where a volume expansion through purchases by the population and public institutions brought about an increase. Apparently the variation of the increase in trade from the goal of the economic plan will be moderated in the remaining part of the year because demand has already been moderated in the second quarter in the trade of miscellaneous industrial items and clothing, and we must also count on economy measures by public institutions.



Graph Actual and Planned Increase of Trade in the First Half of 1982 in Percentage of the Same Period for the Preceding Year



- KEY:
- |                          |                                   |
|--------------------------|-----------------------------------|
| 1. At current prices     | 6. Clothing                       |
| 2. At unchanged prices   | 7. Miscellaneous industrial items |
| 3. Total trade           | 8. Actual                         |
| 4. Food and luxury items | 9. Planned                        |
| 5. Restaurant industry   |                                   |

As compared to the same period for the previous year, trade increased in the first half of 1982, at current prices, by 6.3 percent, or by 12.3 billion forints. Of this, about 9.5 billion forints was the result of an increase in prices. A greater than planned population income brought about almost 2 billion forints' worth of surplus purchases, and there was a volume increase of nearly 1 billion forints in public institution trade, which affected primarily miscellaneous industrial items.

The 3 percent growth rate for retail clothing trade lagged substantially behind the 4.5 percent called for in the economic plan, and in fact at unchanged prices trade fell below that of last year. A decline in clothing sales could be observed from month to month in the second quarter. The smaller than expected growth in clothing trade is related to the greater than average price increase

for foods and luxury items, the large-scale decline in shopper tourism, and the inadequate composition and selection in commodity supply. The latter is supported by the fact that while clothing trade was only 3 percent higher than a year ago, the average clothing inventory was 13 percent higher and the 30 June inventory 4.8 percent higher.

Interesting results were arrived at in a study by the National Market Research Institute, which surveyed consumer satisfaction in relation to the supply of 46 clothing item groups. According to a comparison of the surveys conducted in March 1981 and 1982, there was no substantial change of opinion about the position of a single clothing item group although the 31 March inventory of the clothing wholesale trade was 30 percent greater in the item groups concerned than a year earlier. This year as well as last year consumer opinion drew attention primarily to an inadequate selection according to size and style, and found the price level too high only in several commodity groups.

#### In Commission Shops and Boutiques

This means that we could achieve a greater clothing trade if there were better selection. The differentiation of demand is shown by the fact that while total clothing trade increased by 3 percent as compared to the preceding year, trade in the Commission Shop and the House of Occasional Commodities rose by 9 to 10 percent. The number of private entrepreneurs engaged in outerwear trade increased by 33 percent in 1981, and their trade this year, according to statistics, is 50 percent greater than last year. Although their share in trade is negligible, it was still the private entrepreneurs who achieved 10 percent of the increase in the clothing trade.

Trade commodity supply was not in harmony with demand primarily in industrial items. At the beginning of the year there existed a temporarily superfluous inventory of important dimensions, and therefore in the first half year there was no need for an increase of supplies, but the bringing of the excess into trade and an improvement in inventory composition would have helped in adjusting demand to commodity supply. But we did not reduce the surplus, and thus the commodity composition did not improve. Nevertheless, it is true that wholesale commodity acquisition was 1 percent less than in 1981, and the decline occurred at those enterprise groups that had surpluses. Marketing fell significantly behind enterprise targets, and in fact sales by wholesale clothing enterprises were below those of last year. The situation as it has developed is unconditionally linked with the fact that the enterprises planned a greater trade for this year than called for in the economic plan, that is to say, they did not react in adequate time to the relatively smaller increase in trade evident with the fourth quarter of 1981.

#### Financial Strains

The 30 June inventory stock of consumer items was worth 65.3 billion forints at current prices. This stock is not only somewhat greater than the opening stock, but it also failed to improve in composition, the surpluses that were

evident in the opening stock were not reduced in wholesale trade, and in fact they grew larger in clothing products. Within clothing items, the inventory was greater than necessary in yard goods, ready-made clothes, knit underwear and outerwear, socks and pantyhose. These items are in warehouses, but in volume and composition they do not contribute to an increase in clothing trade. Inventories are also greater than necessary in durable consumer items and tobacco goods. The total surplus comes to 2 billion forints.

The commercial enterprises are working with a large stock of means, and at the same time the trade is slack, the buying ability of the retail traders has deteriorated, and they do not have the sources to cover the stock of means. Already at the beginning of the year, when the 1982 financial plans were being drawn up, the bank organs affirmed during the consultation with the enterprises that the basic principle of credit extension being emphasized this year was to assure the harmony of trade and inventory. This is necessary for financial assurance that the commodity supply will be maintained at level, for existing superfluous inventories to be reduced, and for the producers to receive realistic commercial orders. At the same time, this also meant that the bank organs did not support the acquisition of inventories unnecessary for trade, the extension by credit prolongation of the deadlines undertaken in a realistically shaped reduction plan for superfluous inventories, but they did assure credit sources justified for the conduct of trade. For the bank organs it appears that the enterprises ignored this basic principle.

During the half year about one half of the enterprises "stood in line" for some time, the sum of unbalanced credit debts when they fell due was almost 70 percent more than last year, the total liquidity credit demand doubled, and a number of wholesale enterprises were permanently unable to pay. The tension eased in the second quarter because most of the retail trade enterprises created harmony between trade and inventory, but the situation in wholesale trade improved only to a small extent.

Total bank credit did not decline significantly, it only stayed within justified limits, which is also shown by a credit stock that is 5 percent greater than last year's. That is, the treasury is not empty, but the means are greater than what it is possible to finance from the treasury, and greater than the market demand. Bank credit is only one means of assuring a balance, and in fact bank credit itself can only have an effect if it is granted under appropriate terms.

Weighing the effect of the financial tension related to excessive acquisitions and lack of demand, most of the commercial enterprises reviewed their business policy ideas for the year and lowered their trade goals to a realistic level. This brought results already in the latter part of the second quarter, but presumably a justified extent of purchases can be expected later in the year. Thus it may be assumed that in the fourth quarter of the year the harmony between acquisition, marketing and inventory will be restored while the reduction time for surpluses in starting inventories will be longer than could have been expected as a result of the measures taken in the period.

If the enterprises will not be consistent in making a realistic judgment of the situation and adjusting thereto, or if they do not exchange their surplus inventories for stocks appropriate to actual demand, the provision of appropriate commodity supplies will run into difficulties primarily in the case of industrial items.

SUCCESS OF AGRO-INDUSTRIAL UNDERTAKINGS LAUDED

Budapest MUSZAKI ELET in Hungarian 5 Aug 82 p 5

[Article by Dr Istvan Csorgo: "Agro-Industrial Undertakings; the Kaposvar Example"]

[Text] An agro-industrial innovation undertaking is integrated research, development and organizational cooperation combining the intellectual and material resources of research and educational institutions, agricultural reference farms (system centers) and technical design, industrial and commercial enterprises aimed at the intensive development of a foodstuffs production branch or a significant inter-branch special area or at the continual and economical renewal of products, tools, technologies or systems. In what follows we will report on how all this works out in practice.

The encouragement of innovation, with small, medium or large undertakings, has entered the sphere of the big questions for the qualitative renewal of agricultural production. The chief content of this science policy goal is given in part by the need to lay the foundations for intensive development and foreign market competitiveness and in part by the need for a swift and broad application of the achievements of science.

By weighing branch peculiarities science policy today must give an answer primarily to the following questions: How can one direct research directly serving practice toward complex target tasks better expressing social-economic needs and how can one accelerate the transformation of intellectual products into material value?

Inter-Enterprise Integration

In the interest of all this, what possibilities do we have for tying research, development and production closer together, for better coordination of them by following a strategy which will make research and development activity an integrated part of foodstuffs production?

In order to give a worthy answer to these questions we can start from the supposition that in the agricultural sector an innovative strategy can and should be followed not within enterprise frameworks but rather primarily in the form of inter-enterprise integration (in research-development-production associations or societies as in an agro-industrial innovation undertaking).

In the present phase of agro-industrial integration the research-development-production-marketing-market organizing enterprises and institutions have in general reached the stage where the level of research, technology and organization, the large quantity and modern nature of the industrial tools and materials available for use and the economic resources offer the possibility for creating closer contact between science and practice and for the introduction of programmed foodstuffs production.

#### New Type Organizations

On the basis of our branch peculiarities and conditions we can justly hypothesize that an acceleration of innovation in foodstuffs production can come about by means of an innovation undertaking involving the division of labor among, or by the close integration of, or by the creation of a uniform common organization consisting of research and educational institutions organized for concrete research and development tasks, the agricultural reference farms or system centers, and food industry, technical design, background industry and commercial enterprises.

In this new type organizations following an innovative strategy a determining role will be played by the research and development institutions, the enterprises and the higher education research sites which do primarily forecasting, basic methodological, applied biological, technical, economic or organizational research or which conduct laboratory or modelling experiments and small series production.

#### Experimental Model

The agricultural system centers or reference farms which undertake large scale experiments in cooperation with research institutes are significant. They test the results under operational conditions, classify them, adopt them into the system, demonstrate and teach them and propagate them among the user farms. This will be the fundamental task of foodstuffs industry enterprises, combines and economic associations which, within the framework of production contracts or as owners, integrate foodstuffs production vertically. They will provide their partner farms with production and market information and production advice. They will encourage research and the production of quality agricultural materials by means of material incentive. In addition they will undertake reference farm tasks also. The background industry enterprises provide the foodstuffs production sector with technical-planning services and modern industrial tools and materials. The commercial enterprises provide marketing information. They take part in the trading of products, in organizing the domestic and foreign sale of new products and technologies created and in providing material incentive for the tasks.

With such a division of labor and organizational composition the innovation undertaking embraces the entire sphere of tasks, combining the research-development-production-marketing chain, and creates a harmony of product-technology-organization-leadership-system development.

The first such organization is the Kaposvar Animal Husbandry Research-Development-Production Association formed at the end of 1981, which already

conforms well to the character of scientific research and to the complex substantive requirements of innovation. The Ministry of Agriculture and Food regards this creative organization as a model and attributes an outstanding role to its activity. As an experimental model it can have an effect on present conditions in a number of areas, for example on the goal and means system of research and development, on questions of guidance and regulation and of incentive and financing, on the link with research and development organs, on international obligations and possibilities and on attitudes.

#### The Way For Large Undertakings

With regard to the problems appearing on the basis of the mutual effect of existing and new phenomena the ministry providing direct supervision is paying special attention to the operations of this experimental model. In this way measures can be taken in time to avert in unison the difficulties and obstacles. Broad utilization of the experiences of the experimental model could aid a building up of an innovation network for foodstuffs production on the basis of the same principles. This could show the way for large R and D undertakings to be established hereafter.

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SCIENTIFIC SOCIETIES TO AID SMALL, MEDIUM ENTERPRISES

Budapest MUSZAKI ELET in Hungarian 5 Aug 82 p 7

[Interview with Janos Fuzessy, deputy first secretary of the MTESZ, by Erika Mocsari: "Small Undertakings at the MTESZ?"]

[Text] Our experts often ask what sort of new "undertakings" the MTESZ [Federation of Technical and Scientific Associations] will have, where one can apply and what sort of work is involved. Janos Fuzessy, deputy first secretary of the MTESZ, answered our questions.

[Question] What sort of needs are to be satisfied by this expansion of association activity?

[Answer] In the first place we want to offer aid to medium and small enterprises, seeing that they can finish individual, concrete developmental tasks quickly and well. We are talking about tasks which the factory, lacking its own intellectual capacity, could not carry out by itself. These tasks, of course, are tasks which far exceed the customary frameworks of social work--because of their character, complexity or extent. And if they turn to research institutes or design institutes then they must generally count on long throughput times. Now, within the framework of an experts commission, the associations are offering aid for a swift satisfaction of needs, whether these involve design, technology, organization or other developmental desires.

[Question] How will this be organized in the future, so that the enterprises will have free intellectual capacity available?

[Answer] In such cases the enterprise will turn to the association professionally affected--in most cases to a legal member of the association--where the experts will offer aid to organize the work and get it done. Thus, in essence, the various associations of the MTESZ will mediate the work between the commissioning enterprise and the commissioned experts. The enterprises are already submitting commissions. Such work was done earlier in a few associations, but the demand increased nearly ten times in 1981 as compared to 1980; and we are counting on further growth. Some of the contracts in this period pertained primarily to technical solutions at the level of a plan study.



[Question] What sort of intellectual capacity do you intend to use?

[Answer] What I am thinking of primarily is that within the framework of expert work we will not be using, in general, the intellectual capacity in Hungary but rather the intellectual capacity which has built up in the members of our associations. So we want to bring into this work primarily those who have been working regularly already as social activists, people who have done a lot for the association and who are outstanding experts too. We do not intend, with this new form of activity, to "lure" into the association, to make money, those who never looked at us before. We want to rely primarily on technicians already working in the association--I cannot emphasize this enough. We would like to bring in the young experts gradually, and we are also seeking a way to make use of the great experience of retired experts without limiting their pensions.

[Question] How will the work be paid for in practice? What sort of honorarium will the commissioned engineer receive?

[Answer] The basis for the honorarium will be the so-called engineer hour, already used in the area of expert work. The association will survey the task, calculate the needed expenditure, and the sum will be set on the basis of an agreement, to be paid by the enterprise after the work is done. The enterprise signs the agreement with the associations and the federation gets into the act only in those cases where the commission involves the coordination of experts from several associations. As for the honorarium, this represents an income supplement. The technicians will have no obligation in regard to how much work can be done after work time. Naturally, this activity will be taxed also, or there will be a contribution prescribed by the Ministry of Financial Affairs.

[Question] It is generally known that the earnings of the technical intelligentsia are still low while intellectual capacity is unexploited in many places. Does the MTESZ intend to help this with the new form of undertaking, by creating the Experts Office?

[Answer] It is important for the associations to bring the best experts into this work. Our federation created the National Experts Council of the MTESZ and the Experts Office to provide social guidance of this activity. The council will make recommendations as to what professional, legal and management frameworks to use for expert activity in the future. But we have a temporary regulation with which we have already substantially expanded the foundations for work done within even broader frameworks beginning next year.

In my opinion exploiting the intellectual capacity of the some 170,000 experts gathered around us will not only give extra income to individuals, it will also aid the enterprises in a way which will put an end to the still existing "blank spots." Not even to speak of the fact that this professional work will offer new opportunities from the viewpoint of further training for technicians.

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# TECHNICAL DEVELOPMENT ENTERPRISE ESTABLISHED

Budapest MUSZAKI ELET in Hungarian 5 Aug 82 p 5

[Article by Dr Erika Takacs, director of the Developmental Institute of the VBKM (Electrical Equipment and Appliance Works): "Managing Developers--Independently or in a Large Enterprise?"]

[Text] Creating a technical development enterprise is an economic necessity demanded by life. The foundations for it were largely developed earlier within within the frameworks of existing organizations.

Our institute--the Developmental Institute of the VBKM--was formed in 1950. Prior to the combining of industrial enterprises it was an institute operating as an independent enterprise. Even then it was characterized by two fundamental traits--the complexity of the area cultivated by it and the attempt to follow the products developed by it from the drawing board to the beginning of manufacture. Experimental and prototype products were made in our experimental shop and tested in our laboratory. We took care of our products by developing tools, solving special technologies and cooperating in putting them into production. Since we had to live "from the market" we tried to fulfill every desire of our customers flexibly--taking into consideration our manufacturing possibilities in the course of development--and at the same time, with broader technical information, we tried to make recommendations for new types of products which could be sold well.

The developmental institute has gone through frequent reorganizations since the formation of the VBKM. Its sphere of activity, the make-up of its cadre and its organizational structure have changed. In this period all the earlier market contacts of the institute were abolished; all the costs of maintaining it were covered from the centrally generated technical development fund of the large enterprise. The traditional development areas were supplemented by strong current electronics, which was a new manufacturing branch then developing in the VBKM and in the Hungarian electric industry as a whole.

The new market requirements increasingly demanded the delivery of completely automated electric equipment and guidance technology systems. In accordance with this the institute created its general designing office to support prime contracting and an apparatus to put the equipment into operation. It thus became especially suitable for the development of product families and

equipment requiring comprehensive knowledge, contracting for it and putting it into operation, something the individual factories and the enterprises or institutes of the strong current or instrument industry sub-branches were not capable of.

The requirements are increasingly shifting toward intellectual services which differ in significant aspects from the commodity deliveries which were generally customary earlier. Even today, the contracting deals resemble commodity deliveries rather than the qualitatively different services involving something extra intellectually. At the same time, the possibility of and conditions for commodity sales in the classical sense are increasingly worse, especially in the area cultivated by us, on the market for investment goods. Today, even the domestic customers are asking not only for turn-key deliveries from a single prime contractor but also for training, customer services and even study plans and market research supporting requests for investment credit. This is increasingly true on foreign markets, not even to speak of the powerful competition struggle and the consequent delivery time limit demands which sometimes are almost unrealistically short.

The situation is further complicated if what is involved is not the delivery of a single, well defined installation but rather integrated systems such as, for example, the delivery of transportation, mining or health systems or agricultural technologies which presume the flexible cooperation of various manufacturing branches, guidance organs and enterprises or institutions which may have different interests.

The conditions of industrial enterprises prepared for and encouraged toward commodity production primarily are rarely suitable for doing such work where relatively less material production is linked to a significant intellectual component. The industrial enterprises try to turn the available intellectual base and finances primarily to the development of their own concrete commodity production and are less interested in developing their "employed personnel" and in undertaking risks, tying down circulating assets and assuming credit, in order to finance commodity production a significant part of which will go to other enterprises.

As a result of the organizational review of the large industrial enterprises created by the earlier combining the VBKM was transformed into five enterprises; the developmental institute remained a part of the large enterprise dealing with energetics--as its chief profile. The new leadership of the enterprise, evaluating the professional preparedness and traditional contacts of the institute which are broader than the activity sphere of the enterprise, took action at the beginning of this year to make the institute a self-accounting unit so it could undertake all the engineering work which the opportunities permitted. We are thinking about making the institute a technical development enterprise working as a daughter enterprise, beginning on 1 January 1983. Thus the large enterprise, without having to moderate its own technical development demands, could get indirectly all those advantages which a technical development enterprise could offer and--as I have said--the new technical development enterprise could work effectively for other enterprises also. The institute, working as a technical development enterprise,

would be achievement oriented--making use of the profits generated by it and the amortization calculated more favorably than for industrial enterprises it would care for the expansion of its own fixed and circulating funds and the generation of reserve funds while offering a share to the parent enterprise from the indivisible fund.

The institute does not want to grow very much in personnel but it would like to develop qualitatively and adjust to the new conditions. It wants to deal flexibly with areas less favored by the factories, requiring a large intellectual component, developing a designing, installation and service apparatus for which the technical development enterprise form offers better possibilities. We would like to sign our contracts in such a way that the common share in the profits would increasingly serve as the incentive for the experts cooperating in development, contracting and introduction into manufacturing.

We have some special partial achievements on the basis of which we would like to undertake things in a more complex way. Our link to the delivery of health systems is an example. For example, we would like to undertake full delivery of all the energy supply and distribution systems for a new hospital or one to be reconstructed--emergency power supply, lighting, patient feeding systems (kitchen equipment and food distribution), storage systems, etc.--thus all the heavy current and electronic equipment--from general designing to putting it into operation. In the same way we would undertake the contract delivery of all electric equipment for hotels or educational institutions.

We would like to get into complete contracting for transportation systems. A possibility for this is offered by our flexibly constructed system for automatic identification of free path vehicles, our new speed prediction equipment, our energetics expertise, etc.

We would like to expand our contacts with enterprises working in the field of agriculture and foodstuffs--in all areas, especially in the complex areas, of propulsion, process control, energy supply, cooking technology, etc. or in the automation of water management as, for example, the heavy current electric partners of an institution specializing in automation.

If we are to accomplish what is expected and hoped for then, parallel with the creation of the external conditions, we must transform the internal incentive, organizational and operational system of our institute; every single worker must feel personally the effect of his good or bad work via his own income.

8984

CSO: 2500/381

THRIFTINESS FORCED ON PETROLEUM INDUSTRY

Budapest NEPSZAVA in Hungarian 30 Jul 82 p 4

[Article by Tibor Flanek: "Oil Industry--Under Restrictions"]

[Text] Last year, domestic refineries processed 9.2 million tons of petroleum, but their quota for this year is only 8.5 million tons. The conditions of purchase have become more difficult: even though for dollars--at quite a stiff price--practically unlimited quantities of petroleum could be imported, the national economy cannot afford such expenditures.

What remains, then, is the domestic production and the undoubtedly advantageous but unexpandable socialist imports. In the country's present situation it is practical to avoid capitalist exports at all costs. We succeeded in doing so last year, and with what we know about our results so far, we hope that this year will be the same.

Thus, even the lesser amount is sufficient if we use it with proper economy, and if we can substitute other energy sources for it. Strict frugality, gradual implementation of the energy-rationalization program, as well as the central-pricing measures all contribute to the decreased demand. But the National Oil and Gas Industry Trust [OKGT] enterprises also have a very big job to do.

It Is not Immaterial What Is Made out of What

"We try to decrease the production losses of domestic oil production as much as possible," says Erno Kazai, deputy director of the OKGT's main department. "But it is at least as important to improve the product structure during processing, to increase the ratio of the more valuable hydrocarbons," he emphasizes.

Of the trust's 120-billion-forint production costs this year, materials amount to about 100 billion. So it is understandable that raw material management has special significance here.

"Of course, we cannot change the costs of purchasing the petroleum," says Erno Kazai. "But we can [control] what is made from the valuable raw material and in what proportions. How much gasoline and diesel fuel, or, for example,

benzol is made from it, that is, what is the degree of processing. We receive a much higher price on the world market for quality lubricating oils or paraffin or for aromatic products (for example, benzol and toluol) than for our products made by simple distillation."

"And yet, gasoline and diesel fuel are the most important..."

"Yes, because these so-called white products are indispensable from the viewpoint of domestic supply. Now that we are refining less petroleum than before, we must strive primarily to increase the ratio of such products. The results of observing technological discipline, paying increased attention, and of the technological measures taken, are already significant. In the first half of last year, 53.6 percent of petroleum was turned into white products, in the first 6 months of 1982, 57.2 percent."

"So did you produce more from less?"

"I would not put it quite that way. But, at any rate, our products are worth more than before. At least relatively speaking."

#### Rescued Hydrocarbons

One of the main problems today is that they are unable to utilize the capacity of the petroleum refineries built to process much larger than the present quantities. This by all means deteriorates profitability, not only in this country but all over the world.

"We try to help this primarily by operating at higher degrees of efficiency those plants in which we can produce with the lowest costs and energy the refined products needed here in this country, and the items that can be exported profitably," Erno Kazai explains. "And we pay much attention to further processing. Our recently completed investments served the production of more complicated products, rather than increased capacities. This will also be the direction of growth in the future."

It is true, however, that for the time being there is no opportunity in Hungary to produce those petroleum products that are considered the most modern in worldwide respects. Additional developments are necessary for this. Ones like the catalytic cracking plant now under construction in Szazhalombatta. In this, we will be able to produce gasoline and diesel fuel from the less valuable heating oils.

#### Without Dollars

Thus, in the domestic petroleum industry frugality with materials means primarily the modernization of the product structure. In addition to the frugality measures in the strict sense of the word--recovery of petroleum from oil-containing muds, and utilization of the gases that until now had been burned off in flares--the OKGT's experts are also evaluating how more of the valuable hydrocarbons could be salvaged.

"Liquid energy sources are the most valuable ones," says Erno Kazai. "If we could substitute natural gas for some of them, that in itself would save us huge expenses. This is why we are speeding up the construction of the gas pipelines, and we are also beginning to exploit the natural gas fields with lower heating values. We cannot put natural gas like that into the national network, but it is possible to use it in power plants. Originally, we planned to implement this change in 1983, but now that the program is accelerated, we can have such gases as fuel in the Tisza Thermal Power Plant--in peak periods--as early as the end of this year."

The most important effort of the OKGT is to insure the domestic supply as well as possible without the previously planned dollar-accounted imports. This is helped by the significant additional reserves of natural gas found during the explorations, and even this year more of this will be produced than had been planned. This is joined by the more careful work, improving the ratio of gasoline and diesel fuel production, and also by modernization of the product structure of this industrial branch.

The goal is that the country's international balance of payments should not deteriorate, and the present level of supply be maintained with much more modest imports than before. In addition, the petroleum industry should also be able to provide some profitable exports. By modernizing production and the economic operation they can save not only tons, but also hundreds of millions of dollars for the national economy.

8584

CSO: 2500/350



SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 30 Aug 82 p 7

[Text] Announcement of Exchange Rates Table No 35/82, effective 30 August 1982, by Stanislaw Majewski, president, Polish National Bank, on 30 August 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,590.10 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchanges Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 35/82

Country	Curr Symb	Currency	Foreign Exchange		Money		
			Purchase 4	Sales 5	Purchase 1	Sales 2	Average 6
Saudi Arabia	771	1 rial***	24.82	25.06	--	--	24.94
Australia	781	1 Aust. dollar	87.31	88.19	85.99	89.51	87.75
Austria	786	100 schillings	494.45	499.41	486.99	506.87	496.93
Belgium	791	100 francs	181.87	183.69	179.12	186.44	182.78
Denmark	792	1 kroner	10.00	10.10	9.85	10.25	10.05
Finland	780	1 markka	18.12	18.30	17.85	18.57	18.21
France	793	1 franc	12.48	12.60	12.29	12.79	12.54
Greece	724	100 drachmas	122.88	124.12	106.51	125.97	123.50
Spain	785	100 pesetas	77.06	77.84	75.90	79.00	77.45
Holland	794	1 florin	31.78	32.10	31.30	32.58	31.94
India	543	100 rupees***	893.63	902.61	--	--	898.12
Ireland	782	1 pound***	119.76	120.96	--	--	120.36
Japan	784	100 yen	33.55	33.89	33.05	34.39	33.72
Yugoslavia	718	100 dinars	176.69	178.47	153.15	181.13	177.58
Canada	788	1 Canad. dollar	68.97	69.67	67.93	70.71	69.32
Kuwait	770	1 dinar***	295.20	298.16	--	--	296.68
Lebanon	752	1 pound	16.74	16.90	16.48	17.16	16.82
Libya	651	1 dinar***	288.22	291.12	--	--	289.67
Luxembourg	790	100 francs	181.87	183.69	179.12	186.44	182.78
Norway	796	1 kroner	12.91	13.03	12.71	13.23	12.97
Portugal	779	100 escudos	99.58	100.58	86.31	102.08	100.08
FRG	795	1 mark	34.92	35.28	34.40	35.80	35.10
United States	787	1 dollar*	85.34	86.20	84.05	87.49	85.77
Switzerland	797	1 franc	41.34	41.76	40.72	42.38	41.55
Sweden	798	1 kroner	14.07	14.21	13.86	14.42	14.14
Turkey	627	100 pounds	52.36	52.88	45.38	53.67	52.62
Great Britain	789	1 pound**	149.20	150.70	146.95	152.95	149.95
Italy	799	100 lira	6.19	6.25	5.37	6.34	6.22

\*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

\*\*Valid also in clearing accounts with the following countries: Nepal and Pakistan.

\*\*\*The Polish National Bank does not purchase money in these currencies.

CSO: 2600/918

## BRIEFS

AGRICULTURAL PRODUCTS PROCUREMENT--Meat. The total procurement of butcher livestock, calculated as meat, reached 22,800 tons last week, somewhat less than the previous week. During the same period last year, 16,000 tons of livestock, calculated as meat, was procured. Milk. From 16 to 22 August 225 million liters of milk were procured, about 6 million liters less than the previous week. Milk procurement is still somewhat less than that during the same period last year. Grain. In the period from 16 to 22 August 361,400 tons of grain were procured, of which supplies from State Farms totalled 76,200 tons. Procurement is considerably less than in the previous week (632,600 tons). Overall, 1,853,000 tons of grain have been procured from this year's harvest, of which socialized farms sold about 480,000 tons. Eggs. The supply of eggs to procurement points continues to be low. Last week 41.1 million eggs were procured, of which 36.7 million were from farm production. In comparison to the previous week, supplies from small breeders increased by 600,000 eggs, and totalled 4.4 million eggs. [Text] [Warsaw RZECZPOSPOLITA in Polish 25 Aug 82 p 1]

CSO: 2600/928

## YUGOSLAVIA

## STATISTICS ON TRANSPORTATION IN 1981

Belgrade TRANSPORT in Serbo-Croatian No 4 Apr 82 pp 3-9

[Excerpts] Measured in [net] ton and passenger kilometers, the transport output achieved in overall transportation in 1981 was 3 percent less than the preceding year; total commodity transport (domestic and foreign), expressed in net ton km, has declined by 4 percent and the total output in passenger transport (in passenger km) has grown by 1 percent. The amount and structure of the freight carried in overall transportation in 1981 (without pipeline transportation) were as follows:

	Amount in thousands of tons	Index 1980=100	Structure in percent
Total	373,512	96.3	100.00
Domestic transport	323,142	95.8	86.51
International Transport	50,370	99.5	13.49
including:			
--exports	8,582	101.6	2.30
--imports	21,026	103.0	5.63
--transit	6,822	99.1	1.83
--transport abroad	13,940	99.7	3.73

About 14.3 million tons, or 4.35 percent less, was carried, and in internal (domestic) transportation, which has the largest share in the total amount of goods, 14.1 million tons less was carried than in 1980. Transportation abroad (external transportation), primarily between foreign ports, is extremely significant, because the greatest transport output is achieved, and thus also the most foreign currency income.

The transport output achieved in 1981 and its structure can be seen from the following review:

	Output mil. ntkm	Index 1980=100	Structure in percent
Total	223,483	90.5	100.00
International transportation	40,365	103.5	18.06
International transportation including:	183,118	88.1	81.94

--imports	47,375	102.5	21.20
--exports	10,455	106.7	4.68
--transit	3,298	106.5	1.47
--transport abroad	121,990	82.0	54.59

The output achieved was about 23,338 million ntkm less, or 10.4 percent less than the results achieved the preceding year. The most significant reduction was in so-called external transportation, in which the reduction was close to 22 percent, although external transportation was still over half of the output (in 1980 it was about 60 percent) and was achieved almost entirely in maritime transportation. At the same time, this trend indicates that the position of our maritime shipping in the international maritime shipping market has deteriorated, partially because of the recession in this market and the general economic situation in the world.

The shares of the individual transportation branches in internal freight transportation in 1981 were as follows:

	<u>Amount</u> <u>thous. tons</u>	<u>Output</u> <u>mil. ntkm</u>	<u>Average</u> <u>trip (km)</u>
Total--domestic	323,142	40,365	124.9
--Railroad	63,281	17,170	271.3
--Maritime	2,534	800	315.7
--River	20,734	2,743	132.3
--Air	13	5	384.6
--Highway	236,580	19,647	83.0

Highway transportation has a 73.2 percent share of the amount of goods transported (in tons), and a 48.7 percent share of the output achieved in the average trip of 83 km in domestic transportation; this includes the work of all of the OURs [organizations of associated labor] registered for highway transportation, including transportation to meet their own needs. The railroads have a 19.6 percent share of the amount carried, and a 42.5 percent share of the output achieved in total domestic freight transportation, with an average trip of 271 km. In comparison with the results achieved in 1980, the share of highway transportation in the tons carried has declined slightly (by 1 percent), while the decline in the output achieved is more significant (it was 49.2 percent). The share of the railroads in the amount of goods transported in 1980 was 18.4 percent, and their share in the transport output was 43.3 percent.

Freight transportation and the transport output in international transportation in 1981 (imports, exports, transit, and external transport) were as follows, by branches of transportation:

	<u>Amount in</u> <u>thousand tons</u>	<u>Output in</u> <u>million ntkm</u>	<u>Average trip</u> <u>(km)</u>
total--international	50,370	183,118	3,635
--railroad	22,701	8,551	377
--maritime	23,228	270,875	7,356
--river	2,003	1,876	937

--air	9	63	7,000
--highway	2,429	1,753	722

We can see that the largest shares in the total amount of transportation are those of maritime transportation (46 percent) and railroad transportation (45 percent), while maritime transportation has a 93.3 percent share in the output achieved. This is why maritime transportation has the greatest significance in overall international transportation. Railroad transportation has a 4.7 percent share in the output achieved, and this output of the railroads is 4.9 times greater than the output achieved by highway transportation. Previously, in 1980, the share of maritime transportation in the total output achieved in international transportation was 94.1 percent; this means that there was a slight decrease, but the absolute amount of the decline in this output was as much as 14.4 percent, which is very significant.

#### Reloading and Turnover at Ports and Wharfs

At sea ports, there was a 1.6 percent decline, from 18.44 to 18.5 million tons in the amount of cargo in reloading (in turnover tons), while ton-operations increased by 4.3 percent, from 27.9 to 29.1 million tons, which is a negative trend. The ratio of ton-operations (manipulated tons) to the number of tons reloaded, i.e., the so-called coefficient of handling, was increased from 1.51 in 1980 to 1.60 in 1981; this means that the volume of work for the same amount of cargo was increased, or, in other words, that 60 percent of the cargo was increased, or, in other words, that 50 percent of the cargo was handled twice. Over 96 percent of the total volume is unloading, 35 percent is loading, 19.4 percent is direct reloading, and 2.6 percent is moving the cargo. Although direct reloading was increased by 15 percent (by amount) in 1981, this was still not enough for the turnover of goods in ports to be more economical, since 78 percent of the goods are unloaded and then loaded. This increases business expenses and the expenses burdening the goods, in comparison with direct reloading. This also indicates the need to synchronize the arrival of railcars and trucks with the arrival of ships at the port. The problem is extremely complicated, and requires very serious study in order to find the optimum solutions and take practical steps toward such solutions.

The total turnover of cargo in the ports in 1981 was 33.9 million tons, with no essential changes in comparison with the preceding year. Domestic turnover (loading and unloading) constitutes 15.8 percent of this, while the rest is foreign turnover (84.2 percent). Domestic turnover declined by 3.3 percent in comparison with the preceding year, and foreign turnover increased by only 0.8 percent. The total foreign turnover was as follows:

	1980		1981		Index 1980=100
	thous. tons	percent	thous. tons	percent	
Total turnover	28,300	100.0	28,535	100.0	100.0
Exports	3,482	12.3	3,383	11.9	97.2
--domestic ships	1,124	4.0	1,240	4.3	110.3
--foreign ships	2,358	8.3	2,140	7.6	90.7

Imports	18,801	66.4	19,264	67.5	102.5
--domestic ships	5,319	18.8	6,821	23.9	128.2
--foreign ships	13,482	47.6	12,443	43.6	92.3
Transit	6,017	21.3	5,888	20.6	97.8
--domestic ships	891	8.2	686	2.4	77.0
--foreign ships	5,126	18.1	5,202	18.2	101.5

Ships under foreign flags carried a total of 74 percent of the cargo in 1980, and 69.4 percent in 1981. This is a positive trend, but the share of foreign vessels is very large. At wharfs on rivers and canals, there was a slight 0.8 percent increase in the amount of goods reloaded (turnover tons), from 18.2 million tons in 1980 to 18.3 million tons in 1981. Thus, in volume and in trends, there are no significant differences in comparison with sea ports. The handling coefficient in this case was increased from 1.49 to 1.61, since the amount of ton-operations increased by 9.5 percent in 1981. About 95 percent of the cargo is handled by mechanical equipment. Of the total volume of ton-operations in 1981, 37.3 percent in unloading, 44.0 percent is loading, only 15.3 percent is direct reloading, and 3.4 percent is moving the cargo. Loading and unloading constitute 81.3 percent and were increased by 9.2 percent in 1981, direct reloading has slightly declined, and moving has been increased 2.4 times. This means that at the wharfs, the situation with cargo handling is somewhat worse than the situation at the sea ports.

The total cargo turnover at the wharfs, without transit, was reduced by 14 percent in 1981, i.e., from 50.37 million tons to 44.17 million tons. Domestic turnover has a share of about 94 percent, while the structure of international turnover is as follows:

	1980		1981		Index 1980=100
	thous. tons	percent	thous. tons	percent	
Total turnover	3,877	100.0	2,699	100.0	69.6
Exports	612	15.8	637	23.6	104.1
--domestic ships	304	7.9	450	16.7	148.0
--foreign ships	308	7.9	187	6.9	60.7
Imports	3,265	84.2	2,062	76.4	63.1
--domestic ships	2,209	57.0	1,419	52.6	64.2
--foreign ships	1,056	27.2	643	23.8	60.9
Transit	6,965	--	7,857	--	112.8

The total decline in exports and imports was 43.6 percent; if one includes transit in the total foreign turnover, then international turnover at the wharfs was 2.7 percent less. In fact, in 1980, transit was 80 percent greater than total exports and imports, and in 1981, transit was as much as 2.9 times greater. In 1980, vessels under foreign flags carried 35 percent of the cargo exported and imported, and in 1981, they carried 30.7 percent. There are no data on how much of the cargo from transit is delivered by Yugoslav ships.

#### Passenger Transportation and Passenger Traffic at Ports and Airports

In 1981, 1,087 million passengers more, or 1.3 percent more, were carried than during the preceding year, and the transportation output (in pkm) was

only 0.6 percent greater. It is significant that in domestic transportation the number of passengers carried was 1.4 percent greater than in the preceding year, while in international transportation, it declined by 11.1 percent. The number of passengers carried and the structure by branches of transportation can be seen from the following:

	1980		1981		Index 1980=100
	thousand passengers	percent	thousand passengers	percent	
Total carried	1,073,255	100.0	1,087,500	100.0	101.3
Railroad	107,025	10.0	104,906	9.6	101.1
Maritime	7,301	0.7	6,614	0.6	92.6
River and lake	128	0.0	129	0.0	105.0
Air	4,736	0.4	5,120	0.5	101.8
Highway	954,069	88.9	970,731	89.3	100.4

In 1981, 8.74 million were transported in intercity transportation; this constitutes only 0.8 percent of the total number of passengers. Of this number, the railroads carried 2.3 million (12.6 percent less than the preceding year) air transportation 2.4 million (8.7 percent more,) and highway transportation 3.9 million (close to 23 percent less). Such a trend, except in air transportation, may be considered positive because of the lower foreign exchange drain for payments for transportation expenses abroad (for fuel, taxes, etc).

The output achieved in passenger transportation (in pkm), by branches, can be seen from the following

	1980		1981		Index 1980=100
	mil. pkm	percent	mil. pkm	percent	
Total output	45,653	100.0	45,961	100.0	100.6
Railroad	10,392	22.8	10,512	22.9	101.1
Maritime	230	0.5	213	0.5	92.6
River and Sea	20	0.0	21	0.0	105.0
Air	5,091	11.1	5,183	11.3	101.8
Highway	29,920	65.6	30,032	65.3	100.4

The output in highway transportation has stagnated, and the average trip per passenger has increased from 24 to 31 km. For the railroad, the increase in output and the number of passengers carried is equal, and so the average trip has been maintained at about 100 km. It is interesting that there is not a high growth rate in air transportation (it is now only 1.8 percent) for passenger transportation, but the average trip is being maintained at a little over 1,000 km.

The volume of passenger traffic in the ports has declined by 3.6 percent, from 7,477 thousand passengers. The total passenger traffic (arrivals and departures) has fallen by close to 6 percent, from 14.26 million to 13.46 million passengers. In 1981, domestic traffic constituted close to 95 percent of total traffic. Foreign passenger traffic was 11 percent greater in 1981. A foreign tourist who is carried as a passenger on regular lines in domestic



transportation, however, is identified as a domestic passenger for transportation and traffic in the ports.

The volume of passenger traffic at the airports in 1981 was 10.7 percent more, amounting to 5,784 thousand passengers, while the total passenger traffic (arrivals and departures) reached the 8,336 thousand figure, which was 10.3 percent more. Domestic traffic was 63.6 percent and increased by 10.1 percent in 1981, while international traffic increased by 10.6 percent compared to last year. It is significant that in the international traffic, about 77 percent of the passengers arrived and departed on Yugoslav airplanes. In addition to this, there were 660,000 passengers in transit in 1981, or 9 percent more than in 1980.

#### Public Municipal Passenger Transport

The number of passengers carried in public municipal transportation (JGS) in 1981 was 1,874.9 million passengers; it has stagnated at the level of the preceding year. During 1981, there was an 8.7 percent increase in the number of seats and standing room in public municipal transportation vehicles, an 8.9 percent increase in buses (85 percent of the capacity), and a 9.2 percent increase in street cars (14.2 percent of vehicle capacity), while the number of seats in trolleys fell by 16.3 percent. There has been no change in the capacity structure and so the buses continue to dominate. Of the 392.1 million kilometers traveled in 1981, buses covered 352.6 million kilometers, or 90 percent, while street cars covered 9.6 percent of the kilometers traveled in 1981. The share of trolleys in the transportation capacity is slight, and declined in 1981.

#### Border Crossing by Motor Vehicles

During 1981, 166,886 motor freight vehicles entered across our borders in regular traffic, with 1,434 thousand tons of freight; this is about 10.7 percent more vehicles but 6.3 percent less freight in comparison with the preceding year. The average load of these vehicles was reduced from 10.1 tons in 1980 to 8.6 tons in 1981.

In 1981, 189,608 vehicles left our country, i.e., 16.6 percent more, with 1,818 thousand tons of freight, or 18.5 percent more. This means that the average load per vehicle was increased from 9.4 tons to 9.6 tons.

There were 280,779 vehicles in transit in 1981 (18 percent more), with 3.9 million tons of freight (21.5 percent more); this means that the average load per vehicle was increased from 13.5 tons to 13.9 tons if one compares the two years under consideration.

During 1981, 12,557,489 passenger vehicles entered our country (0.7 percent more); 12.3 million of these were passenger cars (98.1 percent), and the rest were buses (131,000) and motorcycles (about 110,000). A total of close to 42 million passengers entered Yugoslavia, or 1.8 percent more than in 1980. These figures do not include local border traffic, with 3.8 million vehicles and 9.6 million passengers. About half of the total number of passengers entering our country are Yugoslav citizens; this also includes local border traffic passengers.

9909

CSO: 2800/442

## INTERNATIONAL TRANSIT ROLE OF YUGOSLAV RAILROADS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Jul 82 p 4

[Article by R. Tatalovic: "The Ratio of the Carriers Should Be Changed"]

[Text] Yugoslavia's geographic position is very convenient for the transit of goods from West and Central Europe to the Middle East and African countries: thus, either overland Yugoslav routes are used in transportation, or a combined route, in which part of the transportation is done by railroad and the rest by sea. Part of West and Central Europe's trade with Greece, Bulgaria, and Turkey is also directed to Yugoslav transit routes.

Recently, some transportation originating in trade by the Soviet Union and Romania with Italy, Switzerland, and southern France has also been directed toward Yugoslavia, if the prices and other transportation terms are suitable.

Yugoslav railroads have a significant and almost dominant role in transit carried out by the Yugoslav transportation industry (99 percent).

In spite of our pronounced advantages, relatively small amounts of transit are directed through Yugoslav railroads, which are the branch of transportation with the dominant role in carrying out overland transit.

During the period 1978-1981 and in the first quarter of this year, the following amounts were shipped in overland transit over Yugoslav railroad [JZ] routes:

<u>Overland Transit</u>	<u>Years</u>					
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>I-III 1981</u>	<u>I-III 1982</u>
Tons (thousands)	2030	1921	1977	2125	416	563
Index	100	94.6	97.4	104.6	100	135.0

As one can see, the Yugoslav railroads are transporting small amounts of goods gravitating toward Yugoslav transit routes; in addition, these amounts oscillate from year to year, depending on the influence of a great many factors, so that the orientation of individual countries toward Yugoslavia differs. For example, Yugoslav routes are carrying less than 10 percent of West Germany's

trade with the Middle East countries and Greece, 18 percent of Italy's trade with Czechoslovakia, and 25 percent of Italy's trade with Bulgaria.

#### Oscillations

Yugoslav railroads have only a 5 percent share in transportation in Greek trade with the EEC countries, and about 10 percent in Austrian overland transit.

In addition to this, Yugoslav railroad routes are carrying only about 15 percent of Romania's trade with Western Europe, and 16-20 percent of Bulgaria's. This role in the international transit market has been imposed on our railroads by several very influential factors.

Because of the deterioration in political and economic relations, primarily between the military-political blocs and between the developed and developing countries, a significant change is taking place in international trade, accompanied by a change in transportation flows and an oscillation in transportation.

The socialist countries are making maximum efforts to direct the transportation of transit goods to routes where, for most of the distance, it is possible to pay in rubles, in order to reduce their convertible currency outlays for transportation.

All countries are making efforts to attract transit transportation to their own routes and thus make it possible to acquire foreign-exchange funds. They are assisting the development of railroad capacities through their business and fiscal policies, and thus aiding an increase in the quality of services which is one of the conditions for an orientation of transit toward individual routes.

Protectionism is increasingly present in the way in which transit is directed, since some contracts dictate a transportation route that belongs to a specific political bloc. The struggle for transit is also being manifested through various benefits and privileges that make it possible to reduce the price of transportation, which is usually the crucial factor for the orientation of transit.

State institutions very frequently contribute to special treatment for transportation through various subsidies and grants, while the Yugoslav railroads are limited in this respect, by low domestic transportation prices, on the one hand, so that they cannot find room in their income for additional privileges for transit, and, on the other hand, by relatively low transit subsidies.

#### In Spite of the Above-Mentioned Factors

As a result of all of these factors, goods going from West Europe to the Middle East and Turkey are more and more often being shipped by a northern route, using Hungarian, Romanian, and Bulgarian railways, and goods going from the Soviet Union to Italy and France are going through Hungarian and

Austrian routes. Recently, transit goods for the Middle East have been shipped by a combined method, using the railroad up to the northern Adriatic ports, and then continuing by sea.

The Yugoslav railroads' most important competitor, however, had been highway transportation for several years now.

#### Lost Foreign Exchange

For the sake of comparison, we would like to point out that in 1981 3.9 million tons of goods were carried by foreign trucks in transit through Yugoslavia, while 2.1 million tons were carried by the Yugoslav railroads. One does not require much familiarity with the economics of transportation to see how much damage is being done to Yugoslavia, in regard to foreign exchange, by these basic trends, especially since Yugoslavia's policy of relatively low taxes for transit by these trucks to the Yugoslav railroads.

The damage is even greater in that these 3.9 million tons of goods were shipped over Yugoslav routes, for over 1,000 kilometers, and these were goods for which payment was made in convertible currency. If these goods had been carried by a Yugoslav railroad organization, Yugoslavia would have realized about \$130 million in noncommodity income, reduced the consumption of liquid fuels, and reduced highway vehicle transit.

This is unrealistic to assume, but there is a real change that the Yugoslav railroads have enough capacity to handle significant amounts of these goods and transport them efficiently.

In particular, the Yugoslav railroads are interested in transit as supplementary transportation, since transit transportation makes possible more intensive utilization of capacity on the routes where expenses are lowest, because of electrification and favorable terrain configuration; because of the reduction of expenses per unit of transportation, the railroad's competitive ability is increased on both the domestic and international levels.

The Yugoslav railroads' interest in transit has also been increased by the fact that this transportation is carried out with the use of foreign rail cars, i.e., with a reduced burden of expenses for the acquisition and maintenance of these capacities, with fewer start-stop operations, less shunting work and less locomotive use.

The more favorable transportation costs that are achieved in transit have a positive effect on business results, while the possibility of obtaining income in foreign exchange enables the necessary continuation of the process of renewing production and contributes to the campaign for reducing Yugoslavia's negative foreign-exchange deficit.

Continental transit transportation provides considerable possibilities and chances for increasing exports by the Yugoslav transportation industry, since, on the one hand, there are goods potentially oriented toward our transit routes, and, on the other, our railroad transportation organizations are interested and the necessary capacity exists.

Realization of these possibilities requires the creation of conditions for more efficient transportation, which means: more rapid development, especially of the main routes; increased subsidies for transit transportation, since in some cases the prices do not cover expenses; introduction of an economic tax on foreign trucks going through Yugoslavia, and thus a restriction of such shipping; and a joint approach, together with foreign railroad administrations, in order to ensure efficient transportation over the entire route, joint absorption of price differences and resistance to competition, and joint cooperation and coordination of the participants in overland transit.

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